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WHAT'S INSIDE

Features

SPECIAL REPORT: Asia's Bruising Year

6 **Licking Their Wounds**
The Asia-Pacific multichannel business is a far cry from what it was a year ago. Those left standing have discovered new rules of survival.

12 **As Bad as It Gets?**
Indonesia ranks among the markets hardest hit by the region's economic crisis, as Indovision falters and others table plans for pay TV.

18 **OPERATIONS**
Digital-DTH Duels
Europe and Latin America have turned into breeding grounds for competing direct-to-home platforms. A special two-part analysis of how the nascent platforms stack up.

26 **MARKET PROFILE**
Israel's TV War Zone
The introduction of DTH in Israel is causing a major ruckus, as operators fight for their rights–and mull the formation of a mega-MSO.

Departments

5 **Blips on the Screen**
Julian Mounter rises again, Kirch's heir apparent and India's pay TV scramblers.

22 **Connections**
Back by popular demand: our annual chart tracking programming alliances in the Asia-Pacific region.

29 **Tech Trek**
Fistfuls of power for field reps, Broadcom's stock options and meeting Asia's fiber needs.

40 **Taking Stock**
The Baby Brases toddle to market, junk-bond jackpots for NTL and Telewest and the Pay TV Payout.

42 **One on One**
George Amoah on BET's strategic recovery in the United Kingdom.

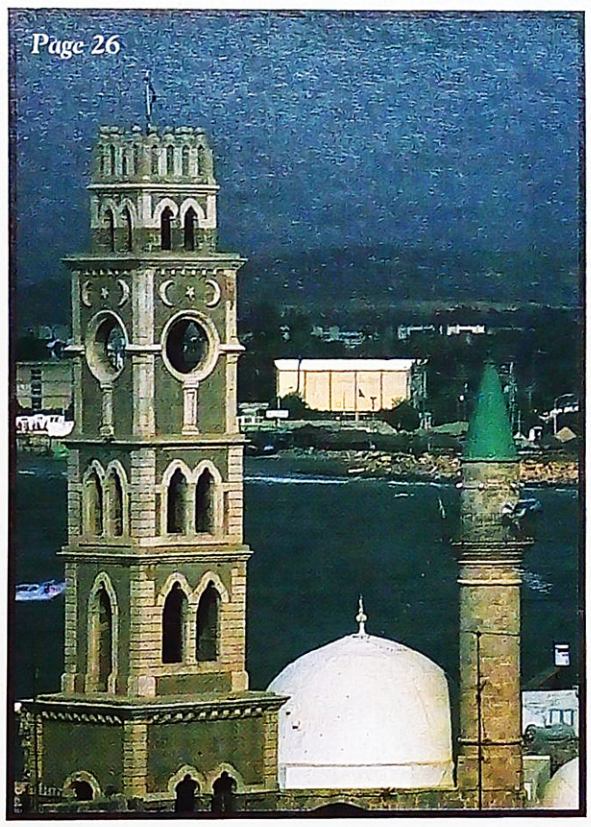
Columns

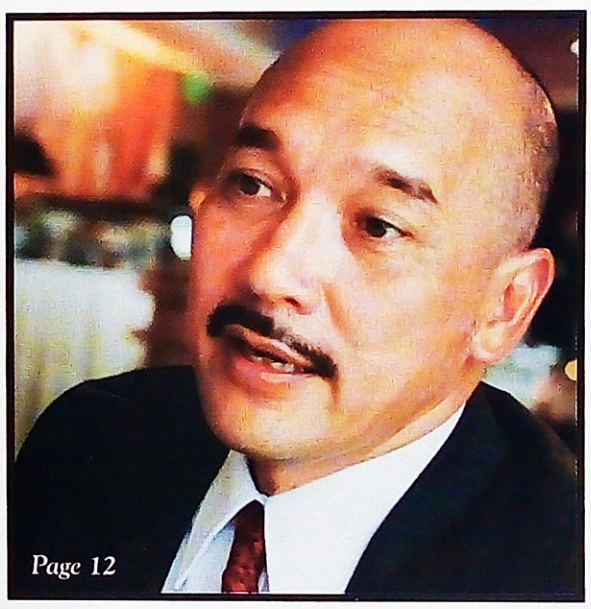
4 **World Watch** • The trouble with Taiwan—from two points of view.

41 **Forum** • S.K. Fung offers up some solutions to pump Asia's multichannel industry.

Also Inside

17 Reader Survey
39 Classified Advertisements





COVER ILLUSTRATION: RICK ALLEN

WORLD WATCH

Life and Death in Taiwan

BY JANET STILSON

I recently sat down with a gentleman who is among the more well-known pioneers of the panregional network business. And because I'm generally used to genial conversation with him, I was surprised to see how agitated he was by a situation developing in Taiwan right now. Turns out, he's not the only one.

His concerns center on Taiwanese companies that dominate the systems side of the business and are major distributors of program networks. Those heavyweights are Eastern Multimedia, Videoland and Filmate. According to him and other panregional executives with whom I subsequently spoke, the threesome are combining their program-distribution businesses in a manner that could result in "the worst of monopolistic practices" in the coming months.

Bottom line: The sources say that nearly all of the systems in Taiwan will carry the same slate of networks. Even though smaller systems companies don't completely rely on those three companies for program networks, "if the little guys don't take the joint program package [from the three big companies], they won't get the good stuff," says the source.

The problem is compounded because systems in Taiwan are under the gun to comply with a government regulation that restricts their program lineups to 50 channels.

Because of that squeeze and the new "alliance," MSOs are asking networks to dramatically reduce per-subscriber fees, the sources say.

Apparently, the Taiwanese government is also concerned, as the Fair Trade Commission is reportedly preparing a legal challenge to investigate the issue.

But hold on. Don't draw any conclusions yet. The MSOs have a different story to tell. Bobby Chen Chi-Yeh, president of Videoland, denies that there's a 50-channel pact. Referring to the overbuild competition in Taiwan and the fierce program-supply rivalry that has gone on in the past, he explains that the MSOs "have come to the point where we think the cutthroat competition is suicide. We think we need to do business in a reasonable manner." He says the three companies are trying to lessen the competition among themselves on the programming front by eschewing their former strategy of offering as many channels as they possibly can as a way of differentiating themselves.

Chen explains that the new peace-pipe initiative actually involves a refusal to accept distribution deals with programmers that encourage/force them to offer packages

According to Videoland's Chen, Taiwanese distributors "have come to the point where we think the cutthroat competition is suicide."

of program channels from the panregionals that contain a combination of both strong and weak networks. They want just the highest quality channels, Chen says. What's more, "if they want high prices from us, they're living in the past," he adds.

For those unfamiliar with Asia, this may seem like an awful lot of fuss over such a relatively small country. But my sources say Taiwan accounts for between 40 percent and 60 percent of the revenue derived from Asia by many panregionals. Because the economics of the region as a whole are so shaky right now, what occurs in this market over the coming months could have a large effect on the survival of panregionals as a whole.

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BLIPS ON THE SCREEN

Scrambling to Scramble

NEW DELHI

BY MANNIKA CHOPRA

India's satellite channel viewing public has learned a whole new vocabulary, thanks to the onset of pay TV in the country. Words like encryption, decoder, analog and digital are no longer part of an esoteric trade jargon; they are now an immediate reality.

On Nov. 1, three channels from the Star TV stable — Star Plus, Star World and Star News — converted from free-to-air to scrambled pay services. In October, Sony Entertainment Television (SET) launched its action channel, AXN, as pay. Early next year, the already-encrypted Discovery Channel will officially convert to a pay format, says its chief executive officer, Kiran Karnik.

It's not as if pay TV on the Indian subcontinent is an unknown entity. Channels like ESPN, Zee Cinema from the Zee Telefilms bundle, and even Star Movies have been pay for over two years. In fact, 10 channels charge subscription fees in India today. But that number is expected to increase dramatically as a growing number of program networks are realizing that collecting subscription fees from operators is the only way they can make their financials work. Besides, as encrypted channels, they're prepared for direct-to-home (DTH) delivery when it finally emerges in India.

Part of the desire to go pay, according to Bhaskar Rao, director of the New Delhi-based Centre for Media Studies, is a need to prepare for possible legislation from the ruling Bharatiya Janata Party that would impose a 20 percent foreign-equity cap on networks.

Continued on Page 38

Discovery's *Memoirs of an Indian Princess*. There are fewer pay TV handouts in India these days.

Kirch's Crown Prince

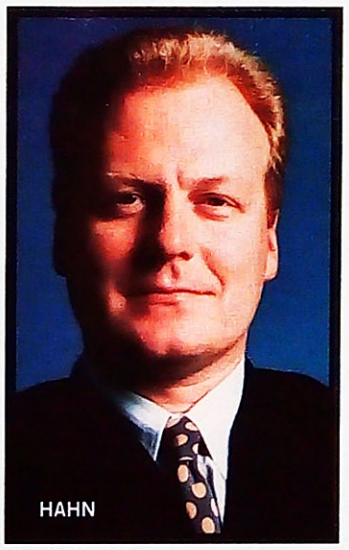
FRANKFURT

BY DIETER BROCKMEYER

No matter which rumors you believe about The Kirch Group right now — from the ones about it going public to the ones about it taking on new investors — it's clear that many changes are afoot at the powerful German media group.

"These are the concepts of his young and hot managers," says an insider at Kirch, referring to the company's 73-year-old founder and impresario, Leo Kirch. "The question is, how far does [he] go himself?"

Dieter Hahn is one of those managers, who, at 37, is unusually young compared to Germany's other high-ranking media execs.



HAHN

As deputy to Kirch himself, he has made it as far up the ladder as one can go. In fact, Hahn is widely regarded as the likely successor to the throne at the company, which is busy putting a new management structure in place — a process that began at the end of 1995, when Kirch celebrated his 70th birthday.

The way it looks right now, Kirch will reorganize the very complex structure of its companies, and a holding company overseen by a charity foundation will be put in place to secure the influence of the Kirch family. It is not unlike the process that another German giant, Bertelsmann A.G., went through decades ago. In 1995, Kirch said its reorganization would take three years. The clock is now ticking.

To pull off the reorganization, Kirch must make major structural and funding changes, and Hahn is considered one of the key architects

Continued on Page 38

Mounter in The Saddle

SYDNEY

BY PIP BULBECK

Julian Mounter made a name for himself in the Asia-Pacific region as the CEO of New Zealand broadcaster TVNZ, and then as CEO of the Hong Kong-based programming group Star TV. Now, after a five-year hiatus in England's Channel Islands, he's back for another round, as CEO of Australia's second-ranked broadcaster, the Seven Network.

Already Mounter has made it clear that when he arrives next month, his main agenda will involve broadcasting. "That's where we'll get the lion's share of our revenue for a long time to come," he said recently at Seven's annual general meeting. But pay and digital TV are obviously part of his mandate. "Many parts of the world are ahead of Australia in terms of pay TV and digital TV, but they will come rapidly to Australia, and Seven intends to be right up there and be the leader in those areas," he says.

Seven has a game plan to move into digital-terrestrial broadcasting in 2001. It already has a pan-Asian satellite channel, Australia Television (ATV), and it's taking some tentative steps toward packaging syndicated product for the country's pay TV operators. Then, there's a planned sports network that was supposed to launch on the Optus Vision cable system in September, replacing the defunct Sports Vision service. However, it's moving slowly until Mounter can make an assessment of it.

Mounter clearly has a lot of challenges to surmount, and exactly how he goes about tackling them will be closely watched. Some observers give him a glowing report card for his past work, but several who worked under him during his stint at TVNZ describe his management style as confrontational. Yet one British TV programming executive familiar with Mounter says he's the man to "manage dramatic change."

MOUNTER

He didn't have much of an opportunity for dramatic change at Star. He was hired in February of 1993, shortly before News Corp. took Star TV over from its then-owner, Hutchison Whampoa, and left that August.

Nevertheless, his experience at that Pacific Rim satellite network

Continued on Page 38

A Special Report: ~~Asia's~~ Bruising Year

Licking Their Wounds

Most Asian-Tiger economies are burning bright with stories of woe. The whole region appears irrevocably changed from what it was a year ago.

By Owen Hughes

Fear, fatigue and elation are all in the voice of Keiko Bang as she talks about surviving Asia's hideous crisis over the last year. "It's bad — but at least we know how bad it is now!" laughs the president of the Hong Kong-based independent production company Bang Productions.

Bang's firm ranks among those that didn't go bust weathering Asia's economic typhoon. And she's also among those who believe that while the market isn't exactly roaring back to life yet, it has scraped bottom and is now primed for an uptick.

Whatever the future holds, it's already clear that the pay television industry in Asia has been irrevocably changed from what it was a mere year ago. The fundamental structure of the business has been called into question, and long-held views have been abandoned in favor of pragmatic action based on observation.

If you were to flip through an imaginary yearbook of the industry over the last 12 months, you'd see the result of plenty of body blows. Layoffs, shuttered offices, bitter fights over program fees and lost investors were all part of the picture. Yet, amid the gloom, there have been success stories, too.

Turn to the yearbook's table of contents, and you'll see a series of chapters about the handful of trends that have emerged — chapters with headings like "Dearly Departed," "Attrition," "Consolidation," "Shelved Decisions," "Restructured Ownership," "Supplier Hostilities" and "Novel Ideas."

Certainly, the merger of NBC's CNBC Asia with Dow Jones & Co.'s Asia Business News falls under the heading of "Attrition." The combination of those channels into CNBC Asia resulted in 130 job losses and the uprooting of the channel from Hong Kong to Singapore. Coupled with that, CNBC's sister service, NBC Asia, closed down its Hong Kong marketing and technical operations, with 75 jobs lost. The channel had about 3 million subscribers when it came off the air in favor of the NBC-backed National Geographic Channel in July. In addition to taking over much of NBC Asia's subscriber universe, NGC — with 8 million subscribers from the Middle East to Taiwan — hired some of the channel's staff that had been laid off.

NBC's employees were hardly the only ones who went through seismic change. The set-top box distributor Pace Micro Technology Asia closed down its Asian headquarters in Hong Kong's business district earlier this year. John Lewis, regional manager for new business development at the company, now works out of his home.

Two important pieces of business instigated the move: In the last 12 months, Pace has ended its business with Indonesia's beleaguered Indovision platform and seen its plans to work with Star TV on a DTH platform in India stymied by continued delays in the passage of new government regulations. Lewis puts the

situation this way: "Yes, we have cut down overhead. But we are still here. We have not lost money, and, in fact, we are still making a profit."

That's certainly more than others can say. Alongside the list of those who lost jobs and offices is a separate roll call of dead, dying and badly wounded companies. The sufferers include channels like TV Shopping Network, now barely breathing.

Also in a comatose state are three systems ventures in Thailand: ThaiSky, World Cable Network and Cellular Vision. All hold separate pay TV licenses, and ThaiSky had been operating before closing its business down, at least temporarily. The other two have yet to roll out services and say they are still "considering their options in light of the current economic climate."

MGM Gold has already acted on its options, closing its doors after a loss of between $US20 million and $US40 million, according to industry estimates. Although MGM had some respectable carriage and subscription gains, its joint-venture partners pulled the plug when they saw that the Asian contagion was unlikely to improve in the short and medium term.

A struggle for survival has also been waged in Korea. By the end of this year, that country's 29 pay TV channels are expected to rack up losses of $US500 million, aggregated from when they first came on air in March 1995, according to the Korean Cable TV Association's chairman and CEO Cho Kyung-mok. The Yonhap TV News channel, run by the national news agency of the same name, led the list of money-losers, with $US60 million worth of red ink in 1997 and 1998 combined.

Bang reports that in late October, the Korean women's channel Dong declared bankruptcy and became the first of the 29 to end transmissions. Meanwhile, another two, including the Christian TV channel, have declared bankruptcy but still transmit a signal. Those standing on their own feet are likely to need a stick for support — or to keep their creditors at bay.

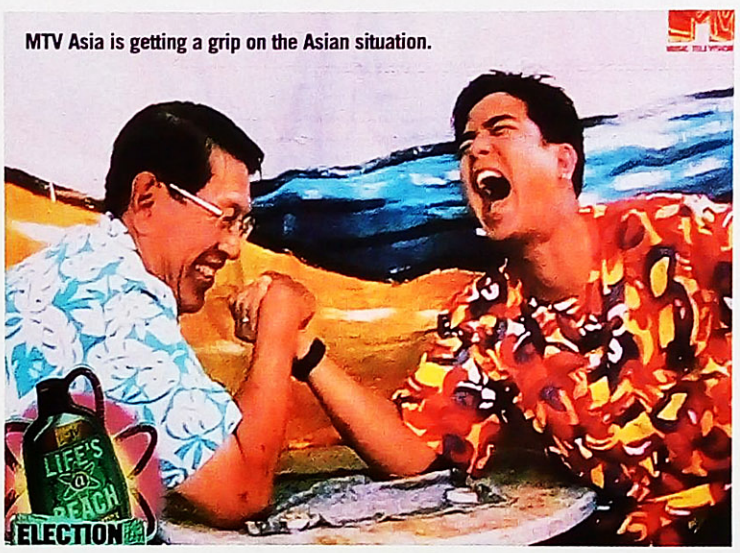
Channel providers estimate Korean cable subscribers total between 1.4 million and 1.7 million households. Yet just 800,000 homes can or will pay for the service. The systems are keeping the non-paying homes on board in the hope they will begin to pay when better times return, says Bang. Her assessment is backed up by Turner Broadcasting Asia Pacific's vice-president for network distribution, Gregg Creevey.

Tim Bautista, assistant general manager with Cable Boss, the Philippines' largest channel distributor, reports the same problem exists in his market. "For the cable industry, 1998 will be a year of no growth or even negative [growth]," he says. Active hookups to homes that either can't pay or won't pay means that for every new customer, there is an existing one that doesn't provide any revenue.

This trend completely negated the assumption held a year ago by many pay TV executives. The reasoning went that one of the last things a hard-pressed household drops from the family budget is cable TV. That may have been the case during hard economic times in other markets or regions, but in many Asian countries, "the first thing that goes is the cable TV, rather than losing your electricity and water supply," says Bautista.

> "Yes, we have cut down overhead. But we are still here. We have not lost money, and, in fact, we are still making a profit."
>
> *— John Lewis, regional manager for new business development, Pace Micro Technology Asia*

An executive with another Manila-based distributor of channels adds that in order to keep business going, his company has made huge concessions to operators. In the past, his company received larger payments from operators as their customer bases rose. "But we have been freezing the increases for new customers on a case-by-case basis," he says. "The alternative is shutting things down forever."



MTV Asia is getting a grip on the Asian situation.

System damage manifested itself in a slightly different way in Hong Kong. Last June, the monopoly pay TV provider Cable TV dropped word that it had suspended construction of its hardwire cable system after reaching a government-imposed target of 600,000 homes passed, or 40 percent of the Special Administrative Region of China's total. Later, chairman and CEO Stephen Ng revealed that stagnating demand caused by the slump in Hong Kong's economy meant subscriptions had remained around 400,000 for nearly half the year.

Also in Hong Kong, the world's first commercial operation of video-on-demand, Hongkong Telecom's Interactive Media Service's Interactive TV, stopped issuing customer numbers in July. That's little wonder, because the final figure they issued, 100,000, was flatly contradicted by the Hong Kong government, which said the July total was 50,000.

Stagnation — or as some might suggest, petrifaction — is also the way to describe the business in Indonesia. The country's main pay TV provider, direct-to-home platform Indovision, had the misfortune of relaunching early this year when popular discontent with President Suharto began to translate into mass unrest and bloody rioting in May. (See separate article, page 12.)

Meanwhile, Malaysia's two subscription TV providers, the microwave-delivered Mega TV and the Astro direct-to-home platform owned by Measat Broadcast Network Systems Sdn. Bhd., are also experiencing almost zero growth. Even in Singapore, where Singapore Cable Vision (SCV) has built its monopoly pay TV service on the back of a government initiative to connect all homes through a hybrid fiber-coax system, take-up has been slow and churn high at about 8 percent. SCV was launched in June 1995 and now passes 75 percent of the island republic's 780,000 TV homes. Yet SCV's penetration is just 16 percent.

Given all of these trouble spots, it's hardly surprising that consolidation was a running theme in 1998, as cable and satellite TV providers joined forces rather than compete for market share, or as cynics would say, cut their losses. At the time CNBC and ABN merged, the two sides had lost an estimated $US25 million each as separate entities, according to NBC and Dow Jones sources in New York.

The merger strategy was also manifest in the Philippines, where the multiple system operators (MSOs) Sky Cable and Sun Cable combined their operations outside of Manila, creating a joint-venture company. Sky Cable's director of programming, Manuel Lopez, comments: "Cable operators are going through a hard time because of the economic problems in the region, and it will be good to have the strength of each other to use for mutual support."

But merging operations hasn't always proved a guarantee of financial health. The combination in Thailand of cable system Universal Television (UTV) and digital-DTH platform International Broadcasting (IBC) into Universal Broadcasting Co. was supposed to staunch cash losses from operating in competition. Yet even as a unified entity, UBC officials reveal that it's still in the red, with monthly losses running at more than $US2.5 million.

To make things more difficult for UBC, consumers have angrily reacted to new price and programming structures with tiered packages of programming. Nearly a quarter of a million calls were made to UBC after it tried in August to add $US2.50 to the basic fee of $US22 for two in-house sports channels, according to a report in the English-language *Bangkok Post* newspaper.

That kind of a price hike may not look very severe. But it was announced at a time when the baht was hovering at around 50 to the U.S. dollar, compared to the figure at the end of October 1997 of 36 to one greenback. Reluctantly, the platform stood down in the face of popular resistance, reasoning there is little point in irritating customers when times are tough.

A side-effect of consolidation has been the introduction of novel ideas to maintain income levels — or just survive. Robert Chua ripped a page out of the book of some Stateside TV evangelists in making on-air pleas for money on a talk show, transmissions of which were repeated around-the-clock as he struggled to keep his China Entertainment Television channel alive.

He'd started 1998 by cutting down his workforce and slashing the salaries of those who remained. As conditions worsened, and Chua tried desperately to find investors that would replace some of those he had lost, he couldn't pay some staff members at all. At the same time, Chua faced having

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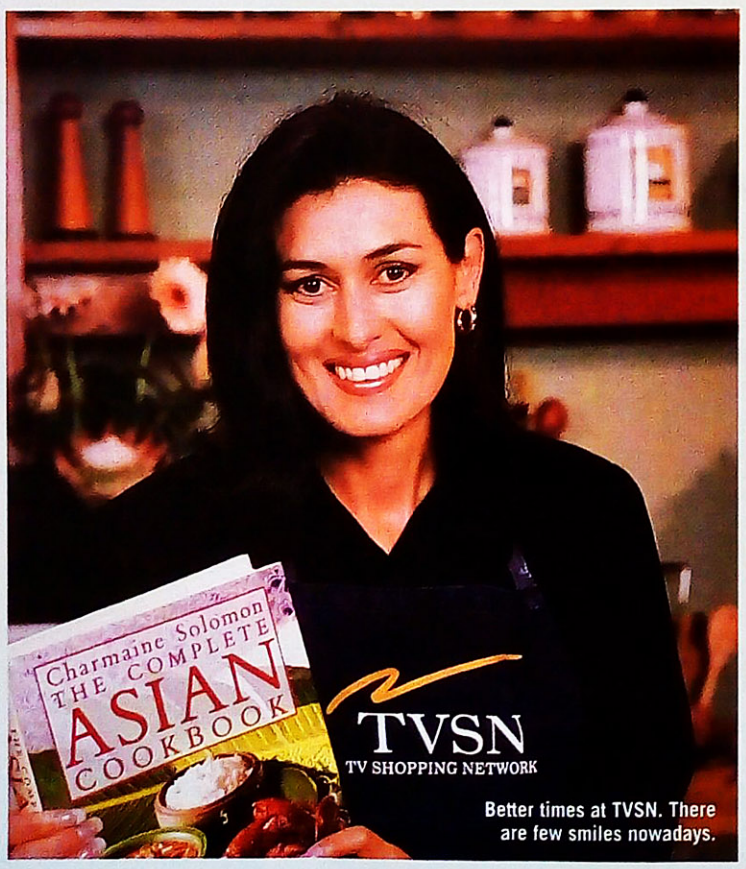

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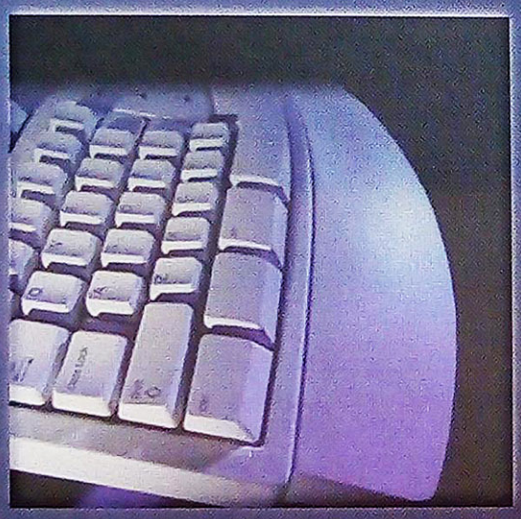

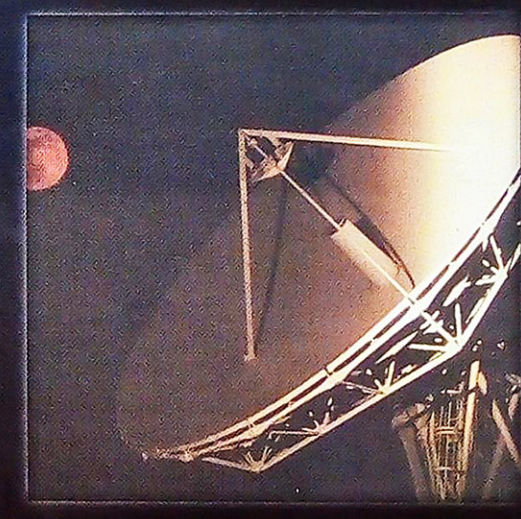

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Asia's Wounds

Continued from Page 8

CETV yanked unceremoniously off the air for failing to keep up lease payments on his satellite transponder.

As the staff began court proceedings to sue for back wages, a white knight trotted in out of the blue to fund the channel with a couple of million dollars. And although the service isn't completely out of rough water yet, it scored an impressive coup late this year when it managed to secure carriage on Guangdong Cable TV in China — a system with 500,000 subscribers. Only one other foreign channel, Star Television's Phoenix, has managed to gain full-time carriage on a cable system within the People's Republic of China.

Chua wasn't the only one who turned to new techniques for survival.

Bang notes there have been a growing number of production houses in the region that are waiving their fees in exchange for barter-advertising arrangements. She says the arrangement works three ways: it suits channels with slashed acquisition budgets, helps programmers anxious to sell their wares and appeases sponsors that want to attract target audiences.

The region hasn't just relied on bright ideas. Optimists are fond of pointing out that there are some fairly bright markets still out there as well. India may pose some headaches with delays in the passage of its Broadcasting Bill and the possibility that pay TV companies may be forced to cap foreign equity at 20 percent. And subscriber growth has certainly slowed. But Indian industry estimates point to subscriber growth of 4 to 5 percent annually in urban areas, with semiurban and rural areas posting annual gains of about 11 percent.

Most of the 10 channels that charge subscription fees — still a novel concept in India — have come away with few bruises, and stronger players are racking up substantial gains.

According to R.K. Singh, managing director, ESPN India, his channel's subscriber base has seen a 25 percent increase over last year's figure. Zee Cinema is also experiencing a slow increase in viewers, says P.K. Lahiri, vice president, corporate communications at Zee TeleFilms (ZTL), the channel's parent. In fact, profit levels of ZTL have increased substantially compared to last year's revenue flow, he says.

Somewhat amazingly, prospects in Japan for pay television companies also appear bright, despite the dramatic drop of the yen against the U.S. dollar. Cable operators and direct-to-home platforms there say they renegotiated deals for more favorable pricing on contracts written in U.S. dollars. And DirectTv Japan is among those who report it used financial instruments such as forward currency contracts to cover acquisition costs and minimize the impact as the yen plunged.

Such strategies couldn't help some projects in other markets. For many, postponement has proved the best policy. Among them is SpaceTel, a satellite consultancy that has planned a DTH platform for Taiwan. However, the company's CEO, Tom Van der Heyden, says there are fewer customers now willing to spend money on leasing birds, and that system developers were paring their plans to the bone.

Another planned Taiwanese DTH platform is also on the backburner. That venture combines Malaysia's Measat with Hong Kong's Television Broadcasts International and local media conglomerate Era. However, the Malaysians have backed away from that project, as well as another aimed at India. Those decisions were due to cash-flow problems and regulatory issues, and they came roughly at the same time Measat laid off one-third of its work force. It also shelved plans for home shopping, Internet-access provision and pay-per-view.

Delays are also evident on the programming front. Several channel providers have backed away from earlier rollout plans. A senior executive with The Walt Disney Co. says it has postponed a launch in the Philippines indefinitely because of its failure to gain carriage on a cable TV system.

Disney's pullback goes deeper than that. It's divesting its stake in HBO Asia when its current deal runs out in March of 1999, according to a Disney official — a situation that has HBO executives none too happy.

On the flip side, Nickelodeon moved ahead with its Filipino debut on Nov. 5. The Viacom Inc. channel had squared away a distribution deal with channel distributor Asian Cable Communications. Ten days later Nickelodeon kicked off in Japan. Those launches are the network's first full-channel beachheads in Asia.

ESPN Asia's Alexander Brown says the channel has tried to be as responsive to criticism in the Philippines as possible, but relations were tested when systems began bidding for sports rights.

Meanwhile, Nickelodeon's sister service MTV Asia has adjusted its financial picture. So too, has MTV's rival Channel V.

Both of Asia's panregional music channels have faced restructuring as long-term investors with cash concerns of their own got cold feet. Star is increasing its stake in Channel V to 62 percent from 50 percent following the decision of two of its record-company investors, Warner Music and BMG, to dilute their 12.5 percent shares. MTV Asia was also told by joint partner Polygram N.V. that it was not going to increase its $US50 million investment cap, which it had already reached.

Channels didn't just face the cold shoulder from shareholders. There's been the downright hostility of operators to contend with as well. Members of the Philippine Cable Television Association, the country's national trade group, blacked out ESPN Asia on the grounds it was allegedly gouging them on per-sub costs. When ESPN argued that the value of many systems was based on their carriage of programming genres, like sports, that attract big viewer numbers, the dispute was soon resolved.

ESPN Asia general manager Alexander Brown says the channel has tried to be as responsive to the comments of cable operators as it could. But relations were hardly aided when affiliates turned up to compete with ESPN for syndicated programming rights.

While things have been scrappy in the Philippines, there's an even worse showdown in progress in Taiwan. Sources from inside and outside the programming realm say that the three systems operators that have largely controlled the program distribution business there have formed an unofficial alliance.

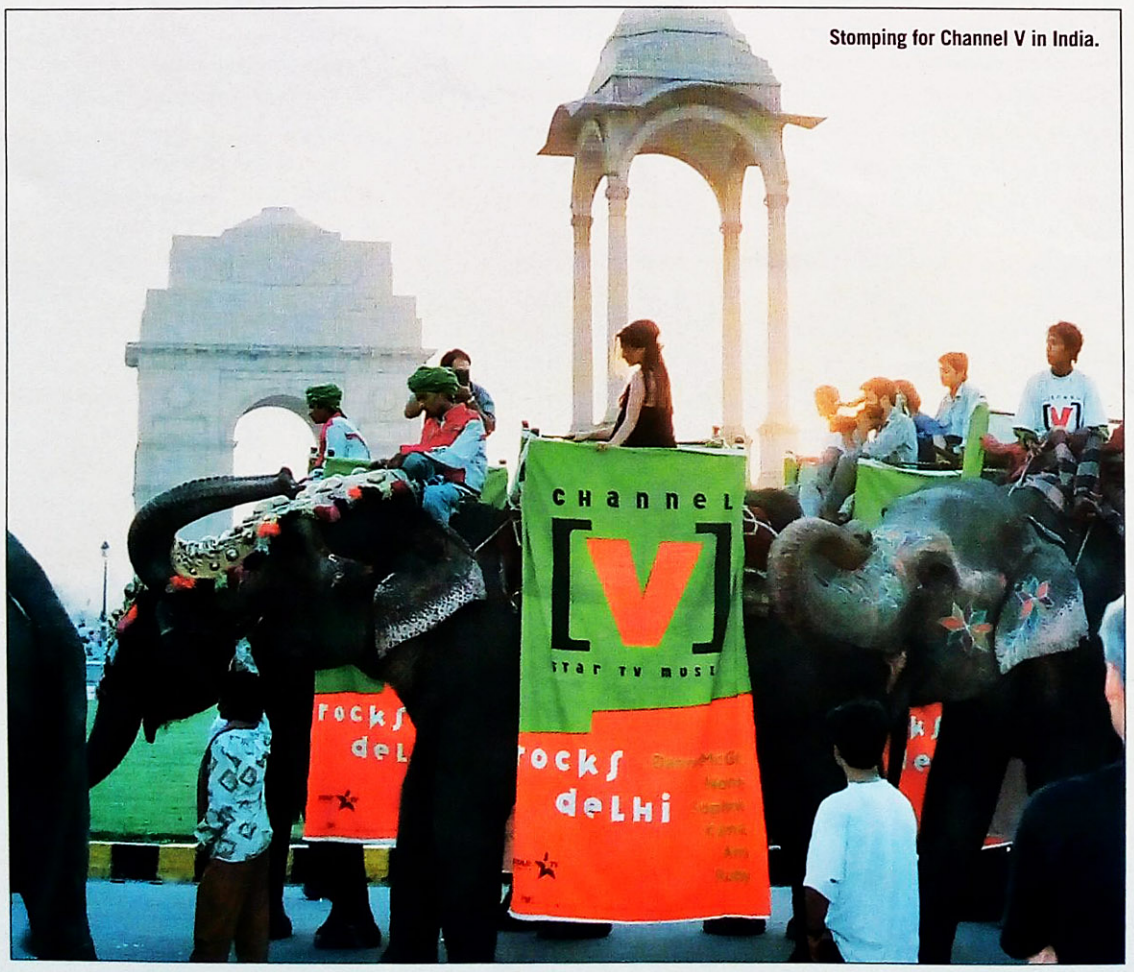
Those companies — Videoland Inc., Eastern Multimedia Group Co. Ltd. and Filmate Ltd. — reportedly have an understanding that all cable systems will carry a mutually agreed upon 50-channel lineup. If a given channel is not part of the pact, it doesn't mean it won't have carriage, but it will have to fight much harder for its revenue and position.

The three Taiwanese companies deny they have such an agreement. But Taiwan's Fair Trade Commission is preparing a legal challenge to the 50-channel pact on antitrust and anti-competitiveness grounds. And panregional networks are deeply concerned about the development — particularly as the market represents between 40 percent and 60 percent of all Asian subscription revenue for several of them.

Lesley Campbell, director of marketing and communications for Discovery Channel Asia, suggests, however, that despite the considerable tensions in the industry between operators and channel providers, there have been surprisingly few outbreaks of open warfare.

As most of those who have felt the fear, fatigue and elation of battling for survival in Asia will tell you, surprise is just about the only guarantee as Asia's Tiger economies continue to lick their wounds.

Mannika Chopra in New Delhi and Campbell Gray in Tokyo contributed to this article.



Stomping for Channel V in India.

As Bad a

Of all the markets affected by the Asian economic crisis, Indonesia probably wins the prize as the sorest point of contact.

BY OWEN HUGHES

The financial analyst with a Hong Kong-based securities house sums up the prospects of Indonesia's predominate pay television company with minimal fuss. "What are Indovision's prospects? Well, they have rupiah revenues and United States dollar expenditures. End of story," he says.

It's a nasty, brutish and short assessment. But as in many a sound-bite-length analysis, there is a hard core of truth. Just 12 months after the same analyst attended a seminar where Indovision president director Peter Gontha outlined the prospects for a new and improved version of the direct-to-home (DTH) platform, Indovision has experienced setbacks that, collectively, seem quite hideous.

The two dominoes that caused the whole crumbling situation concern events that will be recorded in the annals of 20th century Asian history: the toppling from power of Indonesia's long-ruling President Suharto and — simultaneously — the free fall of Indonesia's currency, the rupiah, against the greenback.

As a result, Indovision has struggled to keep its programming and equipment costs under control. And there's little wonder that it now faces stagnant consumer demand. But the list of misfortunes doesn't end there. In fact, if there isn't an Indonesian equivalent to the concept of Murphy's Law, then Indovision would be sorely tempted to invent one.

It seems fate has been against it both in heaven and on Earth. A new satellite that Indovision planned to use, Cakrawarta, sustained severe damage in an electrical storm in space last March. The migration would have enabled Indovision to provide clearer transmissions using the S-band frequency.

Sources say that both Gontha and another Indovision investor, Suharto's son Bambang Trihatmodjo, have been held for questioning repeatedly by police in recent months due to a banking investigation and an attempt by the government to determine if certain companies should be repatriated.

And it now seems all but certain that Indovision has lost an important ally, Star Television, which has managed the platform over the last two years.

The final nail in that coffin was apparently pounded in last month. Sources report that the Star TV executive serving as Indovision's CEO and managing director, David Dennis, was locked out of his offices — as were the few remaining Star TV executives operating out of Jakarta. "They didn't want Murdoch's people going into the office and taking information," says one source, referring to Star TV's ultimate controller, News Corp. chairman Rupert Murdoch.

Some pundits contend that Indovision's woes have been exacerbated by its drive to do too many things. Not only does it distribute a slate of programming, but it has also created new channels, owns its own satellite and even distributes equipment to consumers through its own retail outlets. Things would have been much simpler, they suggest, if Indovision had contented itself with merely directing its signals to the 3.5 million C-band dishes already in use in this nation of 210 million people. Actually, that's the strategy it started out with, and then abandoned for more ambitious Ku-band digital plans.

An analyst working in the Indonesian capital of Jakarta with an Australia-based business development consultancy comments that Indovision's vertical integration worked well when Suharto's relatives and cronies controlled most of the major commercial and industrial conglomerates — including a stake in Indovision parent company PT Datakom Asia. "But having this sort of extended supply chain has become a liability when you have lost your influence and when your costs are in U.S. dollars," he says.

It should be noted, however, that Dennis claims the platform renegotiated all of its network supply contracts at the beginning of this year, softening the currency blow.

No matter how you analyze the problems, one thing is clear: Indonesia's pay TV industry is currently lower than a snake's belly. "Indonesia has to be the greatest disappointment over the last 12 months among Asian markets. The only way is up for them, because they are at zero now," comments Gregg Creevey, Turner Broadcasting Sales Southeast Asia Inc.'s vice presi-

Asia's BRUISING YEAR

A Special Report

s It Gets?

Like traffic in Jakarta's streets, Metra Vision's and ASTRO's plans for Indonesia have stalled.

dent for network distribution and marketing.

Creevy says that while Turner expected the market to come of age in the short-to medium-term before the crisis hit, it's now in the long-term category.

Indovision's state of affairs is certainly key to that assessment, as it's by far the brightest star in the country's pay television universe. But it's not the only one. Also affected by the crisis was All Asia Television and Radio Co. (Astro), the monopoly DTH platform in nearby Malaysia, which had planned to take advantage of its footprint on the Measat 2 bird to target Indonesia directly. Now that project's on hold.

Also changing tack is a hardwire cable system that — under better market circumstances — might have put holes in Gontha's past boasting that Indovision was the only pay TV game in town. That company, PT Multimedia Nusantara, launched a full-frontal attack on Indovision in early 1998 when it announced plans to roll out a hardwire cable-TV service under the name Metra Vision. Nusantara wasn't a company to be taken lightly, as some powerful interests in Indonesian society own it. Crucially, many of them have avoided much of the fallout from the demise of the Suharto family.

PT Indocitra, one of the investors in Nusantara, is a real estate and industrial concern controlled by Suharto cousin Sudwickatmono. It has a 49 percent stake. Among the other shareholders are national telecoms provider Telekom Indonesia; state-owned terrestrial broadcaster Televisi Republik Indonesia; Henry Pribadi, a senior figure with the privately owned broadcaster Surya Citra Televisi; and a handful of army-led companies.

When it was unveiled, Metra Vision planned to target well-heeled homeowners in Jakarta and the second city, Surabaya, an initial potential subscriber base of 300,000. High-speed Internet access was promised, all without the fuss and investment of satellite-receiving equipment.

Yet as Indonesia's political and economic situation began to deteriorate in the spring, Metra's corporate secretary, Lukman Adjan, first announced that the March launch was postponed until May.

Peter Gontha has resigned as Indovision's president director, although few in Jakarta doubt that he remains a strong presence behind the scenes.

And then, almost inevitably, it was put back again to October — a deadline that was also missed.

When, or possibly if, Metra gets underway, it may not be as a hardwire, cable-delivered enterprise, nor even a microwave one. A Singapore-based program-network source reports that Metra is talking to government-owned satellite provider PT Satelit Palapa Indonesia about operating a satellite master antenna (SMATV) service. Turner and MTV Asia both say that they would be keen to put

Continued on Page 16

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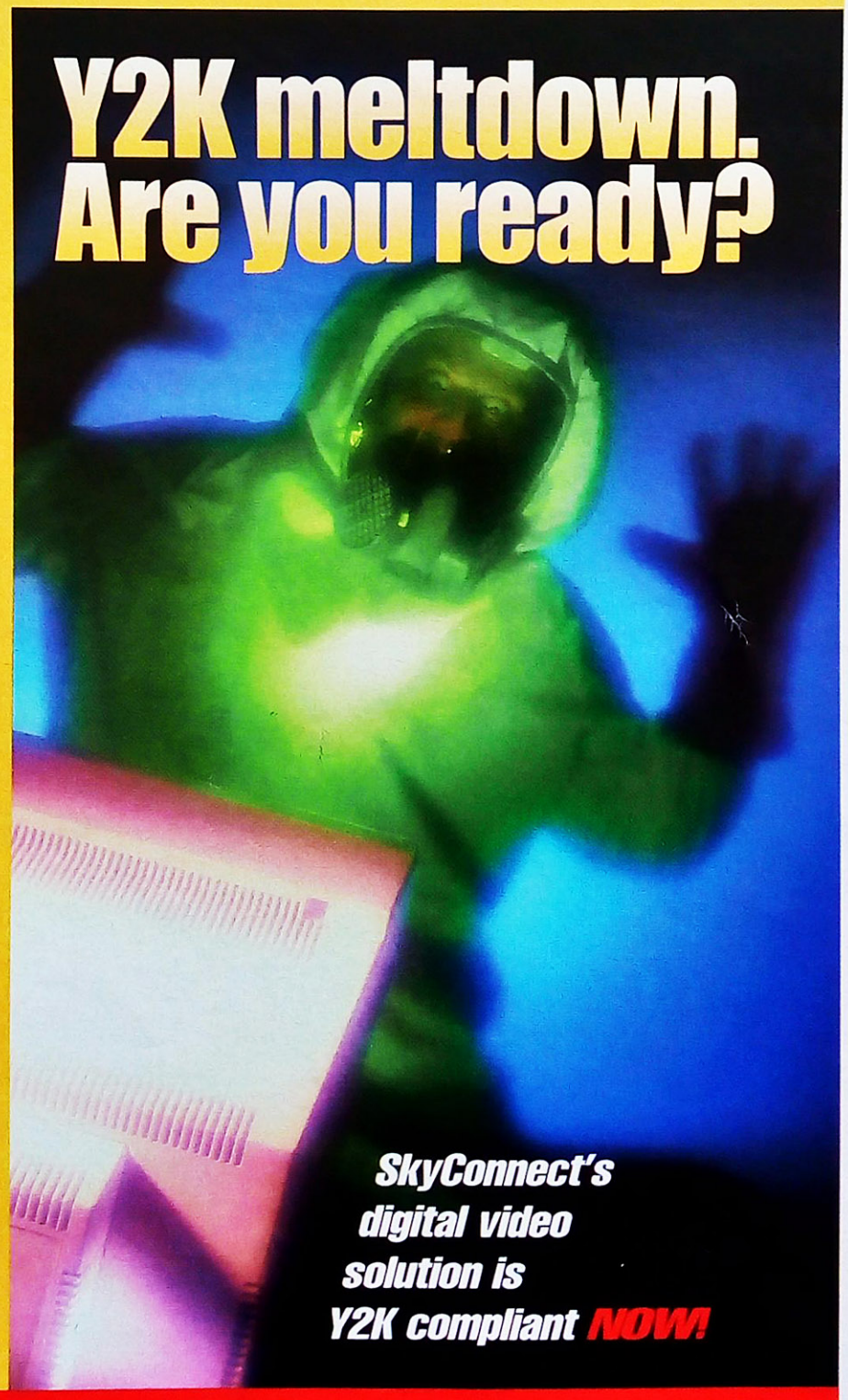

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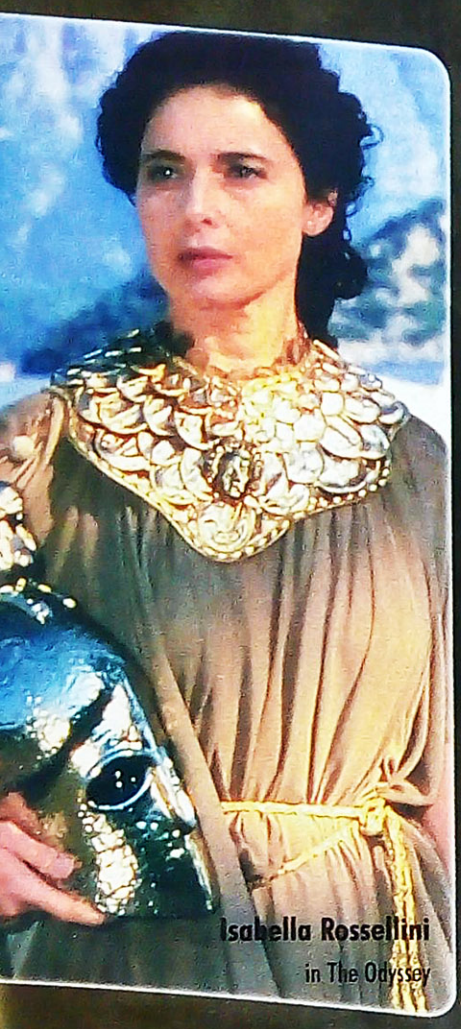
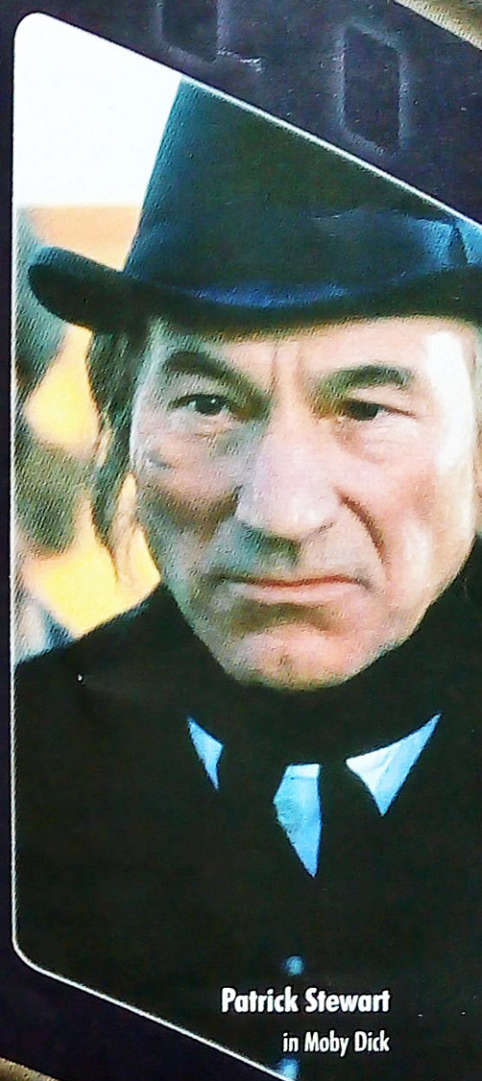


Isabella Rossellini
in The Odyssey

Sam Neill
in Merlin

Geraldine Chaplin
in Mother Teresa



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Indonesia

Continued from Page 14

their programming on the platform. Sudanshu Sarronwala, vice president for marketing and research with MTV Asia, suggests that Metra's proposed distribution system is sensible, in terms of gaining carriage, given Indonesia's existing C-band dish infrastructure that could be easily employed by SMATV operators.

If the tabled plans of would-be competitors are of some solace to Indovision, it can only be of limited relief. Out of Indonesia's total TV universe of 26.2 million households, the DTH platform has only attracted about 34,000 customers, according to market sources. And some claim that some of those customers are hotel units, rather than individual households. About 25,000 receive the platform's programming via dish, and the rest — perhaps 12,000 in all — receive it by a cable-delivery system to select apartment blocks. Not so coincidentally, that real estate is controlled by Datakom and another Indonesian conglomerate, the Lippo Group, which is owned by an ethnic Chinese family of the same name. The present universe compares with a total of 18,000 subscribers to the original analog Indovision platform at the end of 1996.

Getting exact figures is difficult in Jakarta because statistics vary depending on who is telling the story and what the criteria are. But sources say that because its numbers are so feeble, Indovision is reluctant to cut off subscribers who cannot — or will not — pay each month.

Indovision's woeful condition is underscored by a revelation from a former executive with the now-defunct MGM Gold movie channel. The service was carried on Indovision, and the former executive claims that when it came off-air in April of this year, the Indonesians had not paid for the product throughout the previous seven months.

Gontha has personally felt the cold wind of change in Indonesia. He's been repeatedly detained by police and had his passport confiscated. He is linked to an investigation of a bank within the PT Bimantara Citra holding company, which has a 58 percent stake in Datakom and counts among its directors Suharto's son Bambang. The bank, which was closed down in November 1997, is alleged to have lent more than 20 percent of its available loan capacity to companies within the group. Although the 20 percent curb has long existed, it was flouted in Suharto's heyday, and no more so than by PT Bimantara Citra, if news reports are to be believed. Details are sketchy, but, according to the reports, the investigation was still under way as of late November.

Meanwhile, Bambang has been quietly removed from the board of Datakom, and Gontha has resigned as president director, although few in Jakarta doubt that he remains a strong presence behind the scenes. Callers to Gontha's office are told that he is busy organizing an international campaign to boost Indonesia's battered image abroad. The ad spots he helped create, which are aired on Indonesian terrestrial stations and, in theory at least, on regional services, are meant to show executives with multinational companies extolling the people and infrastructure of the country.

A spokesman for Gontha described them as his personal commitment to the country and a task he undertook because no one else was willing to take the initiative.

These calamities could hardly have been forecast when Gontha went on the road in the third quarter of 1997 to promote a $US260 million bond offering for Datakom, which was led by Goldman Sachs and completed just days before the Asian economy started to collapse. Gontha was one of a select few Asian media entrepreneurs who were billed by their admirers as Asian versions of News Corp. chairman Rupert Murdoch. Gontha's claim to this dubious comparison rested on his ownership portfolio amassed with cohorts that included Bambang. Those holdings ranged from the *Indonesian Observer* newspaper, to stakes in three of the country's six terrestrial TV stations, to a radio station and a multimedia company. But the jewel in Gontha's crown was clearly Datakom, which controls Indovision, the Cakrawarta bird, the Indovision retail distribution company plus post-production companies, a finance company for decoder boxes and a trunk radio service.

As he headed the 1997 roadshow, Gontha observed, without any trace of embarrassment, that although there had been some discussions about the role of monopolies in Indonesian life, there were no antitrust laws. This had allowed him to amass enough cross-media holdings to make even Murdoch's web of operations in any one country look like simplicity exemplified. Indeed, that may have been one reason News Corp.'s Star operation was so attracted to Gontha and Indovision.

> "Indonesia has to be the greatest disappointment over the last 12 months among Asian markets."
>
> *— Gregg Creevey, vice president for network distribution and marketing, Turner Broadcasting Sales Southeast Asia Inc.*

That Hong Kong-based giant of Asian pay TV programming took on a management contract with Indovision in 1995, although it included no equity stake. Star was given the task of revamping the analog platform into a digital one, with a view to transferring it to the then-unnamed Cakrawarta bird.

In exchange, Star was assured carriage of key channels and a percentage of revenues. But Star's relationship with the platform has grown increasingly uneasy. As is true with many a failing marriage, money is at the root of the problem. One major dispute apparently centered on the Cakrawarta bird, and an increasingly passionate discussion that began in May about the wisdom of switching from its Palapa C2 satellite base.

By that time, Jakarta was wracked with bloody riots that resulted in Suharto stepping down, leading Datakom spokesman Keith Loveard to point out that pay TV was a low priority when people were struggling just to get enough food to eat. Tens of thousands of people among Indovision's potential subscriber base, the A/B socioeconomic class that included the wealthy ethnic Chinese minority, fled the country, fearing for their lives.

Amid this national chaos, Indovision raised its cost to subscribers by 30 percent as the rupiah plunged in value. From 3,500 rupiahs to the U.S. dollar in February of 1997, it nose-dived to as low as 16,000 in early 1998, then stabilized for a time at around 10,000. By November it had settled to around 7,700 to the dollar. The complete 30-channel package, taken by 90 percent of subscribers, was hiked to a shade under 200,000 rupiah early this year, with a 10 percent luxury tax.

The question of Cakrawarta's future centered on not only those horrendous market conditions, but on the injury it sustained last March during an electrical storm in space. Its builder, Orbital Sciences Corp., said the shielding had been penetrated and a battery charger damaged. The calamity also halved the life of the satellite to seven years. In addition, two of the seven S-band transponders — a largely untried technology designed to meet Indonesia's climatic and topological conditions — will now fail when the bird is eclipsed by the Earth. Outages are expected to last for up to 70 minutes in total over a 45-day period twice a year.

If Datakom thought that things could not get worse, it was wrong. The insurers told Gontha that the bird remained operable, and that they were not going to pay out the estimated $US20 million value of the policy, according to Loveard. With such an expensive piece of equipment floating around space, it is no wonder that Datakom is determined to migrate Indovision from Palapa to Cakrawarta, which would enable the platform to use smaller reception dishes and offer a larger slate of program networks.

Dennis, the News Corp. veteran who's acted as Star's top representative at Indovision in his role as the platform's CEO and managing director, told *Multichannel News International*, as recently as August, that the move to Cakrawarta would occur "fairly quickly." And at that time, he also projected the subscriber base would more than double, to 100,000 within 24 months.

A month later, in September, Dennis was of a different opinion on the bird shift. "It doesn't make sense to switch on the satellite right now. We are talking it through; there are some frank conversations," he said.

The increasingly volatile relationship between Star TV and Indovision was underscored by Dennis' terse comments over the phone in late October, in which he politely but firmly said, "I know what you are calling about. You'll have to talk to Gary or Bruce," referring the inquiry to Gary Davey, Star TV's chief executive, and Bruce Churchill, Star's deputy chief executive officer.

Neither of those two executives could be reached for explanations.

But other insiders say that the growing friction between Star and Indovision was "a matter of funding, and there was no way they were going to meet their revenue targets. Gontha really pushed the situation." A source at Star says, "Certainly it has not grown at the rate we expected it to, even with the recession."

Clearly, it's not just Star's involvement in Indovision that's severely damaged, but the whole Indonesian pay TV business. As Paul France, CEO of business channel CNBC Asia, puts it: "It's there; it's operating at a low level. There is not much else to say, other than we continue to be shown there [on Indovision]." Adds Steve Smith, general manager of the Star TV majority-held music service Channel V, "We are not focused at all on Indonesia. It's a real hunkered-down mentality about that place right now."

That's why, for MTV, Channel V's rival, it makes all the sense in the world to deliver its signal by multiple means: a six-hour daily block on two terrestrial stations, as well as a satellite-delivered free-to-air signal for pick up by Indovision and some of the C-band crowd. "The pay [universe] option on its own is just too small at the moment," comments, MTV's Sarronwala.

His assessment is underscored not only by Indovision's current subscriber base, but also by the second annual PAX panregional viewership survey compiled by Asia Market Intelligence and released in October. The study shows that, in Jakarta, cable and satellite pay TV channels reached only 19 percent of those in "affluent" households, which AMI describes as earning more than $US800 a month. They represent just 10 percent of the city's population.

The Hong Kong analyst concludes his comments with a stark appraisal of Indonesia's pay TV scene. "There is a difficult trip ahead. It's just difficult all around. People can't afford the boxes; the platforms can't afford the programs," he says. "Everything is priced out of reach. They have gone into hibernation down there." ■

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INDUSTRY SURVEY

Should President Clinton Be Impeached?

That's a difficult one. By comparison, what we're asking you to do is relatively easy. Help us take the pulse of the international TV and telecoms industries by giving us your perspective on the business. We are including a special question at the very end of the survey, asking for your ideas on who the *MNI* editorial team should select as the next winners of our annual Ground Breaker Awards, which honor people and companies around the globe for their exceptional achievements.

In return for the time you take filling out this form, we hope to help you map out the road ahead when we analyze the results in a feature scheduled for early 1999. We plan to contact some of the respondents and interview them about the results. So if you'd like to be interviewed, please provide your full contact information and check the box indicating that an editor may call you. In order to include your responses in the survey, we'll need to receive them by no later than Dec. 31, 1998. Feel free to attach as many additional pages as you need.

1) **EMERGING TECHNOLOGIES:** Select five of the new technologies listed below that you're most interested in tracking, and rank them according to your degree of interest, with 1 representing the least interest and 5 the most:

_____Cable modems
_____Internet-over-TV
_____E-mail TV
_____Internet-access provision
_____Enhanced TV services
_____Video-on-demand
_____Voice-over-IP
_____Digital subscriber line (DSL)
_____High-speed data
_____Digital-terrestrial television (DTT)
_____IDTVs (integrated digital TV sets)
_____Voice-activated set-top boxes
_____PPV copy protection
_____Other: _____

2) **NEW GENRES OF PROGRAMMING & SERVICES:** Select five types of new programming and services that you're most interested in, and rank them according to their appeal, with 1 representing least interest and 5 the strongest:

_____Interactive TV
_____PPV/VOD
_____Digital audio
_____High-speed Internet access
_____Internet-over-TV
_____Ethnic
_____Home shopping
_____Home banking
_____Computer-oriented
_____Other: _____

What do you perceive as the program service category with the greatest potential for your company?

_____

The industry as a whole?

_____

3) **DISTRIBUTION TECHNOLOGY:** Rank the following multichannel-TV distribution systems according to how you see their growth over the next five years, with 1 representing the weakest growth and 8 the strongest:

Cable	Satellite	Terrestrial	Wireless
_____Analog	_____Analog	_____Analog	_____Analog
_____Digital	_____Digital	_____Digital	_____Digital

4) **CORPORATE ISSUES:** What was your greatest challenge in 1998?

_____

What will be your greatest challenge in 1999?

_____

5) **FINANCING:** What is the single largest source of financing your company used in the last year?

_____

6) **INDUSTRY CONFERENCES:** Which industry conferences do you find most valuable? Name three, if possible.

_____

Which industry conference(s) did you attend in 1998 that you will not attend in 1999?

_____

7) **INTERNET USAGE:** How often do you access e-mail?

_____ times a day. _____ times a week.

Do you do it _____ personally or _____ through an assistant?

8) **REGIONAL ISSUES:** What is the fastest-growing region/market for your company right now?

_____

Where are you having the most difficulty expanding?

_____

Which territory do you believe holds the greatest potential in the next three to five years?

_____

9) **PANREGIONAL PROGRAMMERS ONLY:** In which markets do you find it the most difficult to negotiate acceptable carriage agreements?

_____

Where have programming costs increased the most recently?

_____

10) **LOCAL PROGRAMMERS ONLY:** What is the proportion of original programming to acquired programming on your schedule?

_____

What percentage of your revenue is derived from advertising sales? _____
Subscription fees? _____

11) **TECHNOLOGY/EQUIPMENT/COMPUTER SOFTWARE VENDORS ONLY:** In what product line do you expect to see the greatest growth in 1999?

_____

In which country are you finding it most difficult to make sales?

_____

If faxing, please cut here and fax as two sheets

12) **MULTICHANNEL PLATFORM PROVIDERS ONLY:** What is the one channel, or type of channel, that you most want to offer that is not available to you yet?

_____

How much does your least-expensive package cost?

_____

How much does it cost to subscribe to all of your program offerings?

_____

GROUND BREAKER AWARDS: Our annual awards honor companies or individuals whose innovations and achievements have not only pushed their own businesses forward, but the industry as a whole. The *MNI* editorial team will be selecting nominations in the following categories: local programming, marketing, advertising, system operations, panregional programming, technology and a Gran Prix award for best overall achievement. We'd appreciate your thoughts on who should be nominated — but only if you identify yourself by name and company. Please, no self-nominations.

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Please at least identify the business segment and geographic reach of the company that you work for. And please give full information if you would like to be interviewed about the results and your responses. Please print in block letters.

NAME: _____
COMPANY: _____
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BUSINESS SEGMENT: _____
GEOGRAPHIC REACH: _____
FULL ADDRESS: _____
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Please either fax your responses to our offices in New York (1-212-463-6406), or for an electronic version of this questionnaire, please visit our Web site at www.multi-international.com. E-mail responses can be sent to 70750.2467@compuserve.com.

Digital DTH Duels

When competing digital satellite platforms first began springing up in various markets around the world, most believed that the sky would fall in for one platform or the other. In all of the situations, there were furious rumors of mergers, and the plans for a second platform were greeted with skepticism until they had actually launched.

However, now that a host of competing services have been up and running against one another for some time, there seems to be more proof that two digital, direct-to-home (DTH) platforms can coexist. Whether they can both ultimately be truly profitable is another issue. In the following features, we examine the intense competition in Europe and Latin America.

EUROPE

Laying Down **the Guns?**

By William Mahoney

When a second digital satellite platform finally launched in Poland last month, the rhetoric was running higher than ever. Charges of misrepresentation of subscriber figures, financial instability and misinformation were all bandied about. In the midst all of the arguments, it was impossible to sort out truth from fiction, and even the players admitted only one issue seemed certain.

"The Polish market cannot stand two platforms. When we are looking at the current, general economic data, that's clear," says Warsaw-based Gaspard de Chavagnac, deputy director of Polska Platforma Cyfrowa Sa, the platform that launched on Nov. 6 to challenge At Entertainment Inc.'s Wizja TV, which started on Sept. 18.

"I don't see any possibility that the market can sustain two platforms," he stresses, then amends his comment with the words "two *profitable* platforms." His communications director, Herve Rolland Gossellin, chimes in to add: "I would say that is the only point on which we agree with Wizja."

Like two cars careening side-by-side toward a narrow country bridge only wide enough for one of them, the dueling Polish platforms are pouring extensive programming and marketing might — and a lot of money — into this high stakes game of chicken. That's despite a widely held belief that there are only two markets in the world that can support two digital-DTH platforms, the United States and Latin America.

For that reason, it already seems clear that of the four markets in Europe where competing digital-DTH platforms exist, both the Spanish and Italian players may soon merge. Like their Polish counterparts, they also seem acutely aware that

Continued on Page 24

LATIN AMERICA

Sharpening **the Aim**

By Jo Dallas

You are cruising downtown Mexico City. It's another one of those hot, heavy, smog-and-traffic-choked days. Suddenly, above the urban sprawl, a pair of wide eyes stares out from a sea of blue on a billboard that booms: "Sky. Lift Your Eyes to the Highest Limit." You hardly have time to blink, when another giant canvas looms into view, beckoning: "Live the DirectTv experience."

These are but two indications of the promotional artillery that Latin America's two panregional direct-to-home platforms are using in the third year of their war for the hearts and minds of consumers.

Their bold and glittery rollouts in various markets have, in some cases, merited the presence of Latin American presidents, who've flicked the magic switch to bring digital-DTH to millions amid the noise of camera flashes and champagne spray.

With so many markets already entered, and so much media fizz now dissipated, a clearer picture is emerging of the dynamic duelers, Sky Latin America and Galaxy Latin America's DirecTv service. Although some still wonder if two panregional services ultimately will be able to thrive, many now contend that they indeed can. "It is really not a shoot-out at the O.K. Corral," claims one GLA executive.

Regardless, both platforms have plenty of trouble spots to fix and goals to reach. Right now, they're about dead even in terms of subscribers, with roughly 500,000 each. GLA says it will reach operating breakeven when it has some 1.7 million to 2 million subscribers under its belt, but it refrains from saying when that's likely to happen. Similarly, Sky officials won't say when they expect breakeven, although at the end of 1996 they spoke of breaking even in seven years. They do say they hope for 5 million subscribers in the first 10 years of business.

Continued on Page 20

Spirited DTH duels are taking place across Europe and Latin America. And despite speculation, no platform has yet become the *Desperado.*

DTH

As Televisa and Globo are by far the dominant program network providers in Mexico and Brazil, there's little wonder that those are the places where Sky has been outperforming its panregional rival.

Latino DTH

Continued from Page 18

But there are plenty of battles to win on the way to achieving these goals. Right now, Sky's in four markets, and GLA's in 20. It may seem like GLA has the upper hand, but in fact, Sky is leading in subscriber numbers in two of Latin America's most important markets, Mexico and Brazil.

That's prompted GLA to fortify its strategic focus and add some executive firepower. Last month, it reassigned its top programming and marketing executive, Alberto Ennis, back to his homeland of Mexico to marshal the forces as the new president of DirecTv there. What's more, GLA's majority partner, Hughes Electronics Corp., will exercise greater control in Mexico and Brazil.

The two platforms have more to worry about than each other. Latin America now has a sprinkling of national DTH services. Admittedly, some have proved harmless. In Mexico, for instance, the Medcom DTH project folded into Sky. And Sat Corp., a company backed by Mexican cable operators, has yet to launch.

Yet country-specific platforms are taking root in Argentina and Brazil. In fact, Argentina's Televisión Directa al Hogar (TDH) is now three years old, with over 12,000 subscribers. In Brazil, Tecsat Video has a nine-month-old Ku-Band service, claiming 40,000 subscribers. Another Brazilian DTH hopeful, KTV, says it will bow in late 1999.

At the same time that GLA executives have kept an eye on the competition, they have also been spending a good deal of time restructuring the group's ownership. Two of GLA's Latino partners — MVS Multivisión in Mexico and TVA in Brazil — have chosen to scale back both their local and panregional equity investments in the platform, largely due to financial pressures. These companies have faced tough challenges on the cable front, in which they are both highly active.

Multivisión has seen little growth in its wireless-cable systems in recent years, while TVA has lost market share within the Brazilian cable market. The chilly economic climate sweeping Latin America, buffeted about by financial turmoil worldwide, has not helped matters either.

Where Multivisión and TVA are scaling back, Hughes, along with its other major GLA partner, Venezuela's Cisneros Group of Cos. (CGC), is stepping in with greater equity participation. Making matters a little more complex, TVA's majority owner, Grupo Abril, is taking over TVA's stake in the DTH platform.

Bottom line: The GLA equity reshuffle does not signal any great change for the platform's operation, say industry observers. "The stronger partners in [GLA] were Cisneros and Hughes from the get-go. Multivisión and TVA were minor players, and time has proven this correct," says Luis Torres-Bohl, president of the Atlanta-based media consultant Castalia Communications Corp.

If anything, the GLA consortium has been strengthened, opines Mickey Alpert, president of the Washington D.C.-based communications consultant Alpert & Assoc. "It demonstrates the commitment of Hughes to its DTH business around the world. One of the crucial requirements of the success of any [DTH] service is its financial strength," he says. "The local partners still have majority share [on the local level]. That is important."

Certainly, GLA will need all its muscle to combat some formidable competition from Sky, which is backed by News Corp. and Tele-Communications International Inc. Sky's two Latino partners are Grupo Televisa S.A. in Mexico and Organizações Globo in Brazil.

As both of those Latino companies are by far the dominant program network providers in their respective markets, there's little wonder that those are the places where Sky has been outperforming its panregional rival. Televisa and Globo "have been the voice of television in their markets, the standard. They are used to promoting TV," comments Carlos Díaz, general manager of two panregional movie services, Cinecanal and Movie City, and the vice president of their holding company, LAPTV.

But Sky hasn't just relied on Televisa's programming power to gain market share in Mexico. In that market, Sky "has had a more effective sales operation for their sales forces, [and focused] more on value-added incentives instead of just competing on price," says Díaz. An example of this is Sky's exploitation of special events, like boxing, he adds.

That helps explain why Sky has 200,000 Mexican subscribers, roughly double the amount of DirecTv. Acceleration really began in the third quarter of this year when Sky added more than 38,000 subscribers, or over 12,000 subscribers per month, the company claims. While few DTH providers would bemoan a thriving subscriber base, it is something of a mixed blessing in the case of Sky Mexico. When the company moves from the Solidaridad II satellite to PanAmSat Corp.'s PAS 5, it has the task of repositioning the antennas of its subscriber base at a cost it declines to disclose.

Coming to GLA's rescue in Mexico is Ennis, formerly GLA's vice president of programming and promotions and a veteran of Multivisión. When asked about his mandate, Ennis responds: "Growth, growth, growth." His new placement fits very much into what GLA's president and CEO, José Antonio Ríos, describes as "phase two," or "focusing on the larger markets like Mexico, Brazil, Argentina and Venezuela."

"Subscriber acquisition is our mandate," Ríos adds. "We are going to push every single area: marketing, distribution, sales. That is the basis of our phase two."

Phase one was about getting into as many territories as possible. As a result, GLA is in 96 percent of its targeted territory. With Sky now only competing with GLA in Mexico, Brazil, Colombia and Chile, the pressure's on GLA to exploit the 16 markets where Sky hasn't shown up yet.

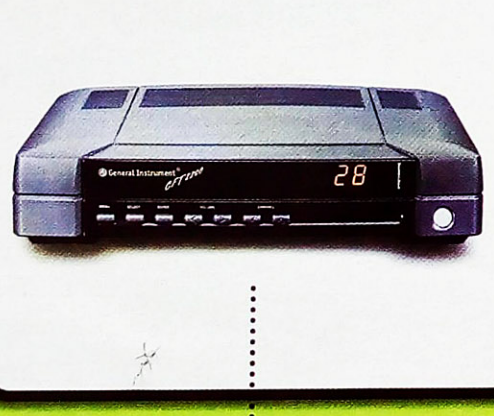
Díaz notes that it will be interesting to see how the two pan-regional platforms perform where their local partner provides no obvious advantage. An example of that, he says, is Chile. There, DirecTv has roughly 15 times the number of subscribers Sky has, according to programming sources. Then again, DirecTv officially launched in that market in March 1997, more than

Continued on Page 36

Sky Latin America's Miami Lakes, Fla., facility

Sí:

- Proveerá más oportunidades para generación de ingresos
- Ofrecerá tanto servicios básicos como avanzados de televisión por cable
- Aumentará la oferta de programación y servicios
- Permitirá el impulse pay-per-view
- Ofrecerá rápido acceso a Internet vía el set-top box



No:

- Hará hacerle desear que hubiese seguido una carrera en el circo

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Multichannel NEWS International
THE WORLD'S SOURCE FOR TV AND TELECOM ANALYSIS

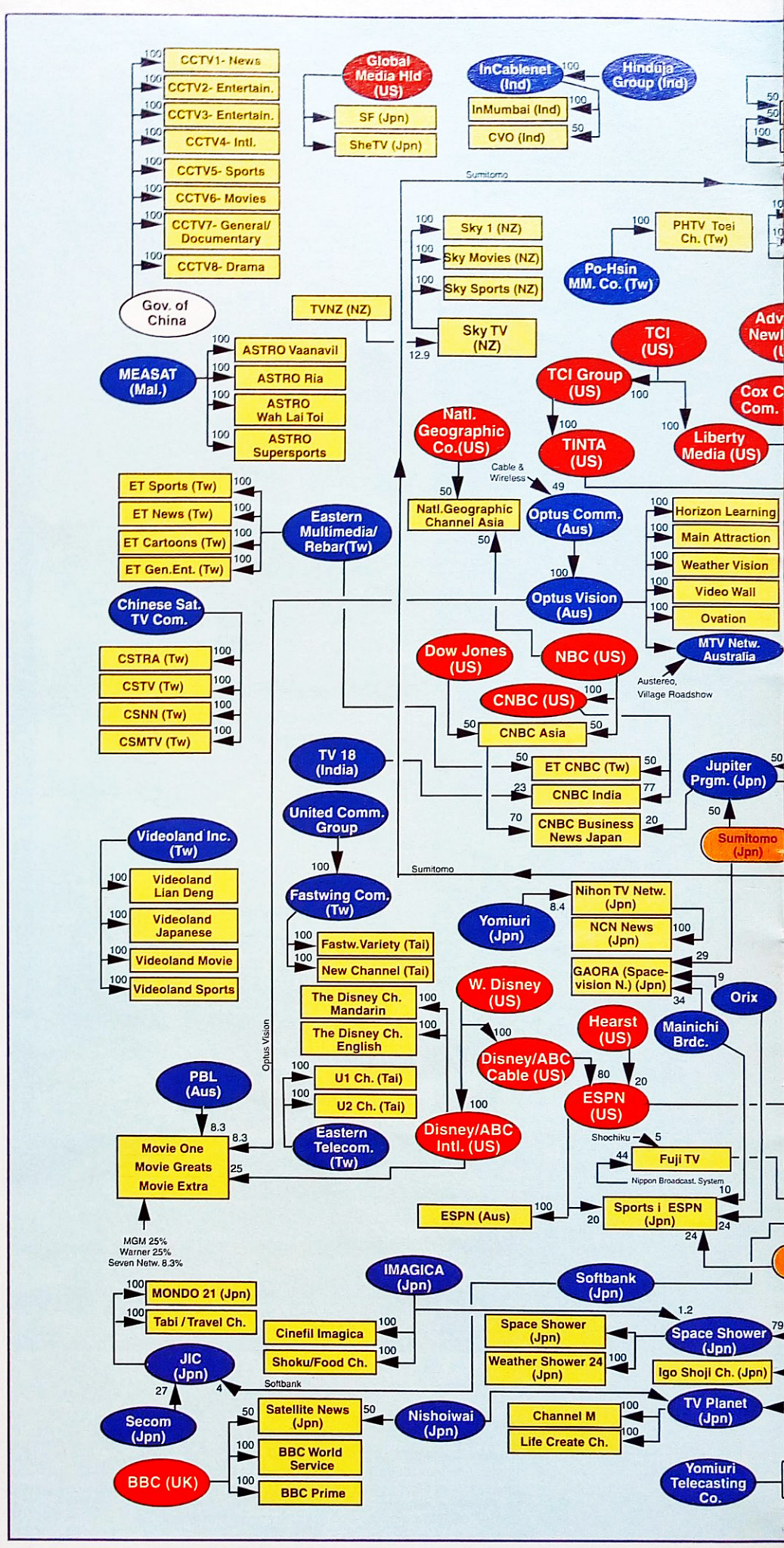
1998 Guide to

Asia-Pacific Program Connections

One striking aspect of this chart mapping out the Pacific Rim programming channels targeting subscription TV systems is the newcomers. Although the region has suffered a severe economic downturn, some new channels have boldly moved ahead with their launch plans — among them Nickelodeon and The Kermit Channel.

Also worth noting are some channels that are still present and accounted for, such as China Entertainment Television. It not only overcame tremendous odds to stay alive, but also scored an impressive coup with full-time carriage on Guangdong Cable TV in China.

Once again, Andy Yap of The Strategis Group's Singapore office is responsible for the enormous amount of research that went into this chart. And Paolo Prestinari supplied the graphic rendering.



Terrestrial networks included on this chart are those that have corporate ties to satellite-delivered networks, or those delivered across the region as superchannels. The chart only includes completed alliances and launched channels as of November 1998. Because of the huge number of channels in Taiwan, only those groups with larger commitments are included.

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Compiled by The Strategis Group, Paolo Prestinari and *Multichannel News International*.

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December 1998

OTHER ASIAN CHANNELS

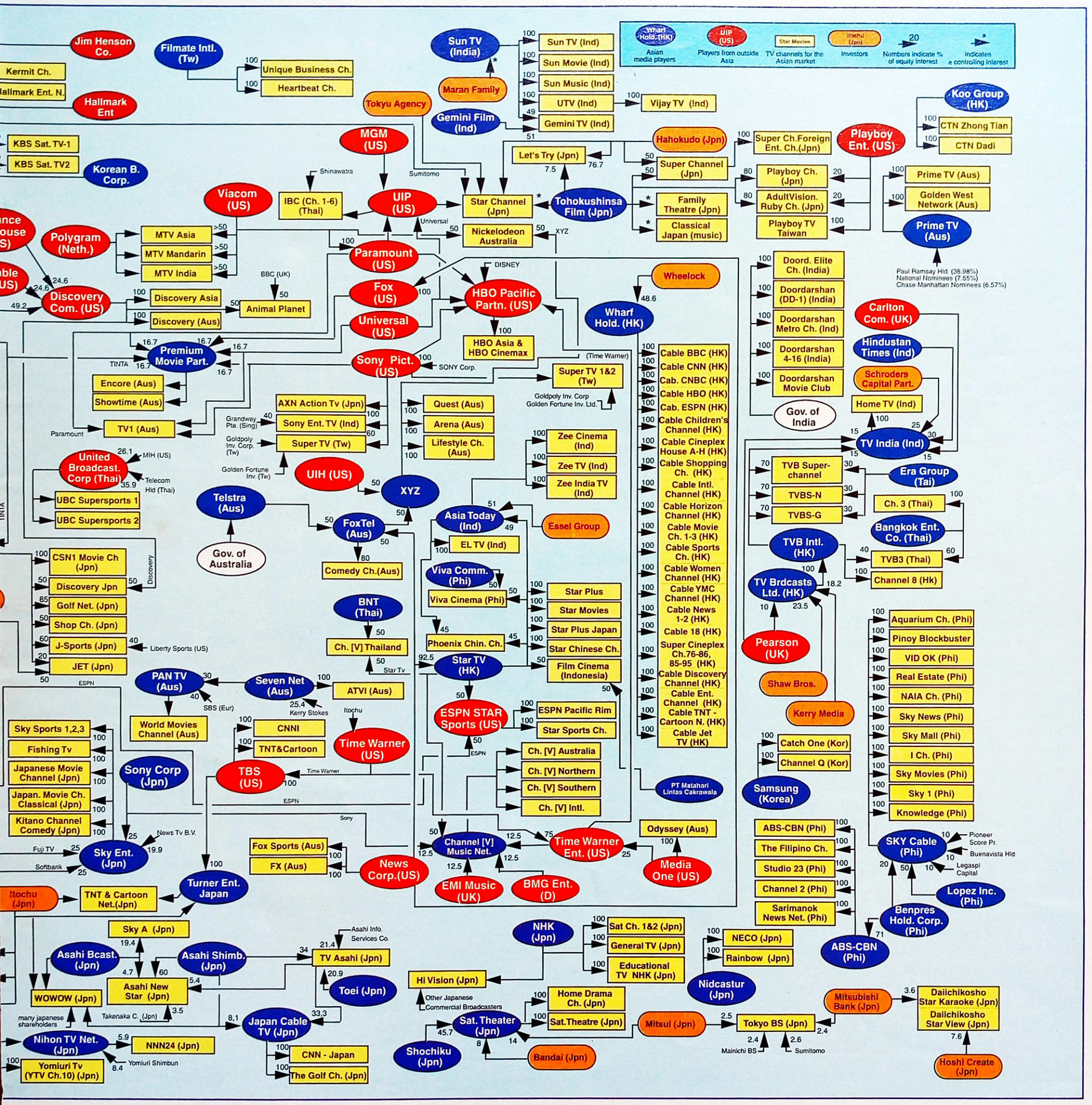
CETV Family Ent. Ch. (Asia) Robert & Peggy Chua
CFI (Canal France Intl.) (Asia), Canal Plus
Country Music TV (Asia), Gaylord Entertainment Company (US)
Deutshe Welle TV (Asia), German Public Broadcaster
TCS Sat. Ch. (Xin Shi) (Asia) TV Corp. of Singapore
TV5-Asia (Asia) Sofirad, France2, INA (Fra), CTQC (Can), RTBF (B), SSR (S).
Bloomberg (Asia) Bloomberg (US) 80%, Merrill Lynch (US) 20%
Rai International (Asia) Italian Government
Reuters TV (Asia) Reuters Holdings
Imparja Television (Australia), Imparja Television (Aus)
Sky Racing Ch. (Australia), Sky Australia International Racing (Aus)

TVSN. (HK), Search Group (HK) 65%, Prudential Asset Management (HK) 34%

AsiaNet (India), Asianet Communications Pte Ltd. (Ind)
ATN (India), Siddharta Srivastava (Ind)
Aurovision (India), Trans Aurovision
Business India Tv (India), Jardine Fleming (12.5%), Prolific Unit Trust of London (11.5%), Ashok Advani and Associates (76%)
Eenadu (India), Eenadu Group of Newspapers
India TV (India), Dalal Street Journal (Ind)
Punjab TV (India), Gautam Singhal (Ind) + 4 offshore investors
Raj TV (India), Raj Video Vision (Ind)
YES (India), (Youth Entertainment Service) (Ind), Srishti Videocorp

An-Teve (Indonesia), Hasmuda Internus, Cakrawala Andalas
RCTI (Indonesia), Rajawali Citra TV Indonesia, PT Bimantara Citra Rajawali Corporation (Indonesia)
SCTV (Indonesia), Mr. Suduuikamono, Mrs. Trihatmodjo and others
TPI (Cipta Televisi Pendidikan Indonesia) (Indonesia), Ms. Rukmana
TVRI (Indonesia), Government of Indonesia

Car Info. V (Japan), Well Comm.
Green Channel (Japan), Japan Horse Racing Association, Japan Govt.
Home Ch. (Japan), Misawa Homes, Misawa Van. Corporation
Keirin Channel (Japan), Ouzuno, Tokyo Doom, Fujitsu
Kid's Station (Japan), Ookura, Mytsui
KN TV (Japan), Korea Telephone Co. & others



Leisure Channel (Japan), Prefectural Association of Motor Boat Racing
Mall of TV (Japan), Mall of TV
MTV Japan (Japan), Pioneer Electric, Nikko Capital, Jaccs
MusicFreak TV (Japan), C-Factory, BMF
Nikkei Satellite News (Japan), Nikkei Eizo (NihonKeizai Shimbum)
Pioneer Karaoke Ch. (Japan), Pioneer Electonics Corp.
Shopping Ch. (Japan), Shopping Channel
Weather Channel (Japan), WX24

CTN (Korea), 6 Company Consortium
DCN (Korea), Daewoo Electronics

Eye-View Netw/Daedayo Broadcasting (Korea), 7 Company Consortium
GTV (Korea), SeaGreen (Jin-Ho Group)
Korea Music TV (Korea), KM Music Corp, Rocket Boiler
KSTV, KTV (Korea), Government of Korea
KN Television (Korea), Korea Telephone Co. (>50%), Telework Co. (>35%)
Maeikyungje Cable TV/Daily Economic News (Korea), 26 Company Consortium
Music Network - M Net (Korea) 4 Co.Consortium
Transport Travel TV (Korea) Government of Korea
Yonhap Television News (Korea) 12 Company Consortium

Mega TV (Malaysia), Cableview (TV3, Eurocrest)

TV 3 (Malaysia), Sistem Televisyen Malaysia Berhad (43,2% Malaysian Resources Corp Berhad)

Mongolia TV (Mongolia), Government of Mongolia

Myanmar TV (Myanmar), Government of Myanmar

ABC-5 (Philippines), Edward Tan
Channel 7 (Philippines), GMA Network Inc.

InterAsia TV (Pakistan), Baig International Group of Companies (Pakistan)

Urdu Channel (Pakistan), Shaheen Pay TV
Her TV (Taiwan), CTV (Kuomingtan)
CBS Hour (Taiwan), Tri-Crown
PHTV Toei Channel (Taiwan), Po-Hsin MM. Co. (Tw)

Channel 7 (BBTV) (Thailand), K. Ratanarak, C. Karnasuta
Channel 3 (Thailand), Bankog Ent. Co (Maleenont Family)
Independent TV (Thailand), 10% Siam, On-line News, Kantana Co., Born Corporation

Vietnam TV Ch. 2, 6, 11 (Vietnam), Government of Vietnam

DTH

Bruno Delecour, CEO of Canalsatellite Numerique, notes that his company will ultimately be 30 percent to 35 percent larger than expected before launch.

European DTH

Continued from Page 18

two digital-DTH platforms can't coexist in the long term. France may be the one exception in Europe, because the two digital-DTH platforms there have grown much more quickly than even their investors expected.

"I think it's extremely difficult," Daniel Bresnan, senior vice president, international, for Bresnan International Partners (BIP) in White Plains, N.Y., says of two digital-DTH platforms coexisting. BIP's Aster City Cable holding in Warsaw is a partner in Polska Platforma Cyfrowa Sa.

Besides splitting the pot of potential subscribers, the dueling platforms dramatically drive up costs and often confuse the marketplace with their mixed commercial messages.

"Cable can be the real beneficiary," notes Richard J. Callahan, CEO of Callahan Associates International, who says intense competition between DTH platforms means strong promotion of multichannel TV overall. He's an investor in cable in Spain and France.

"If there are multiple platforms and/or cable operators fragmenting the programming-rights purchasing, and trying to do so while retaining exclusivity and having to shoulder the full cost and business models, we're going to see an escalation of programming costs," says Bresnan. "Other than the United States, which is quite a large market, I'm not aware of any market where there are two [DTH] platforms where it has been profitable. Some are squeaking by; others have obviously consolidated."

It's no wonder the battles have centered on Europe's plum markets: London-based researcher Baskerville Communications Corp. predicts that Italy will have 3.9 million digital-DTH subscribers by the year 2006; France will have 3.8 million; Spain, 2.5 million; and Poland, 1.3 million. Only Germany and the United Kingdom are expected to have greater totals at that time, with 5.4 million and 5.3 million, respectively. However, their own unique type of multichannel competition puts them in a category separate from the other countries and complicates the situation in those two markets.

While Germany technically has two competing platforms, DF1 and Premiere, they share ownership between them. In Britain, the digital-terrestrial service ON Digital bowed Nov. 15, giving British Sky Broadcasting its first multichannel competition in the digital arena. While it's early yet, most analysts predict that over the long term, ON Digital will steal a fair number of Sky's digital customers.

Of all of the dueling markets in Europe, France has proven the most interesting to watch. Despite many naysayers, France has already proven itself conducive to two DTH platforms that are effectively splitting the market.

Canalsatellite Numerique will break even by mid-1999, three years after its April 1996 launch, says Bruno Delecour, its Paris-based CEO and director general of commercial activities for Canal Plus. "It's what we planned," he says. With nearly 1 million subscribers, the service is Europe's leading digital-DTH platform.

Yet Cyrille du Peloux, Paris-based CEO of TPS, stresses that his service's subscriber total of 536,000 doesn't tell the full story. He claims that TPS is now actually signing up subscribers at a faster month-to-month pace than Canalsatellite. Delecour disputes that, saying Canalsatellite is signing 60 percent of the new subscribers.

Either way, it's clear both services are thriving — more so than even the services themselves expected.

"The big surprise of the French market is that with the competition, the market has exploded in terms of total subscribers and in terms of total revenue," says Delecour. He notes that his company will ultimately be 30 percent to 35 percent larger than expected before launch. He attributes the success to the flood of coverage and marketing focused on the introduction of digital DTH.

Both players also tackled the digital-DTH arena from extremely strong starting points: Canal Plus had become a French household name through its original, single-channel pay service and later its analog satellite package. Both spawned popular programming now exploited on the digital service.

TPS shareholder TF1 is the country's broadcasting giant, and it generously uses its own airtime to promote the digital offer of TPS.

Merger discussions were briefly held a year ago between the two platforms, but no talks are currently taking place. Happy to go it alone, the platforms are busy finding ways to distinguish themselves, such as TPS' efforts to lure channels by offering both DTH and cable carriage.

"TPS is more proactive," says George Amoah, London-based managing director of BET International, who signed a deal through which BET on Jazz International was added to the TPS platform on Nov. 2. "I think what really makes it more attractive for us is that TPS gives us both DTH and cable business

TPS' promotional channel

because, with the TPS distribution, we will have access to the Lyonnaise cable systems in the country." Those are owned by Lyonnaise Communications, another TPS shareholder.

Canalsatellite could potentially offer the same type of deal tied to the Canal Plus Numericable cable systems. However, Amoah, who has also been talking to Canalsatellite, says "their deal is strictly based just on the satellite options, and then you have to work yourself onto the ground." Neither TPS nor Canalsatellite will address the issue of clearing channels on DTH and cable.

While the French services seem comfortable with settling in for long-term competition, the situation in Spain is exactly the opposite. The on-again, off-again merger discussions between the two digital-DTH platforms in Spain are expected to soon lead to a formal joining of Canal Satélite Digital (CSD) and Vía Digital after a war of words almost identical to that in the Polish dispute.

CSD, a company that's partially owned by Canal Plus, has outpaced Vía Digital by more than two customers to one. CSD recorded 569,000 as of Oct. 30, while Vía Digital reported 260,000 as of Sept. 30. The two groups are fully expected to merge, although on Sept. 30 they officially called a halt to their negotiations after reaching an impasse on several issues. For that reason, executives from both companies declined to be interviewed for this story. "They don'twant to talk about the merger," says Soledad Alvarez Coto, a spokeswoman for CSD in Madrid.

In the meantime, CSD is expected to become more aggressive in taking advantage of the 1.6 million analog Canal Satélite subscribers, trying to convert them over to the digital CSD package by offering free digital-DTH equipment installation. CSD expects to hit 650,000 subscribers by the end of the year.

Despite the competition from Vía Digital, CSD's churn "is very small. It's about 1.7 percent, not even 2 percent," says Coto. That's in part due to CSD benefiting from the migration of customers from the analog Canal Plus service.

"Last year, 26 percent [of the CSD customers signed] were new subscribers, and 74 percent were from the analog Canal Plus service," she says. "In one year, we would expect maybe 75 percent to be new subscribers and 25 percent to be from the analog service. Little by little, every week and every month, we are changing these people over."

In Poland, Canal Plus has a smaller base of analog customers — about 235,000 — and its strategy is a bit different. It won't try to convert those customers from analog, but is offering a tantalizing sign-up option for its digital-DTH platform. In a charter deal, subscribers will pay the same price they'd pay for just Canal Plus, about $US12.50 a month, and then just about $US2.50 more a month to rent the satellite-receiving equipment.

For its part, Wizja TV has a real first-to-market advantage in that of its 19 channels, 17 are exclusive to the platform. Wizja snagged a who's who of programmers by offering them a dual-carriage deal similar to the attractive TPS terms: simultaneous DTH distribution and carriage to 660,000 cable subscribers through At Entertainment's Polska Telewizja Kablowa (PTK) systems operation. For many programmers, Poland became an attractive market overnight.

"You couldn't walk away from a deal like that," says BET's Amoah.

Wizja's approach is expensive, but one that seemed necessary to head off Canal Plus. In what was always seen as a "spoiler" tactic, Canal Plus came in just before At Entertainment's Wizja TV was due to launch last April and agreed in principle to a merger. Observers always believed that the move was meant, at the very least, to delay the Wizja TV launch and buy Canal Plus more time. Sure enough, the two later fell out, and Wizja TV launched five months later than planned, followed by Canal Plus just six weeks later.

Canal Plus claims its platform will distinguish itself by providing more indigenous Polish programming, rather than foreign fare tailored to the Polish market.

"What we saw happening with Wizja was a lot of emphasis on the international programs, Western programs in particular, and not as much of an emphasis on the European and Polish side, which we thought was an important element in the mix," explains BIP's Bresnan.

It's too soon to tell whose ap-

proach is working better, but both claim elements of early success.

"We have 80,000 reservations for customers," de Chavagnac said just two days before the service's launch.

Robert Fowler, CEO of At Entertainment, did not return repeated calls for comment on Wizja's performance. His company put out a statement four days before the Canal Plus-led competitor launched, saying that Wizja "has sold more than 59,000 digital set-top boxes." That wording led its competitors to interpret the figures as boxes ordered by retailers, not ones sold to customers. Sure enough, a short while later, At Entertainment clarified the figures, saying it "had sold 61,000 packages to distributors, with 35,000 subscribers installed."

Wizja has predicted that it will sell 130,000 subscriptions by the end of the year, a figure its competitors find overly optimistic.

Breakeven for Canal Plus in Poland is projected to be four to five years away, at around 450,000 to 500,000 subscribers, de Chavagnac says. It would come 12 months to 18 months sooner if there were just one DTH platform in the market, he adds.

Despite all of the bad blood between the groups, most believe that ultimately the battle will dissipate, and the two Polish platforms will get together, although it may be a year or more before that occurs. "I don't have any specific information that would lead me to believe that that would happen, though I think that it could be considered a natural evolution," says Bresnan.

Italy has seemed destined for the same result for this entire year, but the parties fighting over that fledgling maket can't reach a solution. While the Telepiú-led digital platform D+ is the market leader with 312,302 digital subscribers at the end of September, Telecom Italia's majority-owned Stream platform is slowly building up a subscriber base, too.

Again, Canal Plus is pivotal in those talks because of its control of D+ through its 90 percent ownership of Telepiú. Telecom Italia, which owns 80 percent of Stream, and RAI, which owns the other 20 percent, had been expected to join forces soon and forge a digital-DTH alliance against Canal Plus, possibly also enlisting Rupert Murdoch and TPS shareholder TF1 of France. Or one or more of them may wind up joining with Canal Plus, as the rumors were running at press time.

In the meantime, digital DTH is beginning to hit its stride. D+ has been signing subscribers at the rate of about 16,000 a month over the past year — a 35 percent jump since both the analog and digital services were relaunched by Canal Plus. Because of the lack of real cable competition, two DTH platforms might do well in the country, those involved note.

"In Italy, where there is no competition," says Delecour. "The market is increasing very quickly because there are many new services with a new technology," compared with markets where DTH might have trouble distinguishing itself from cable.

Stream was betting entirely on cable when it first launched in September 1997, but now it's hedging its bets with DTH distribution as well. Its subscriber rolls have grown slowly to 80,000, of which 70,000 are reached by cable and 10,000 by satellite, says Isabella Tosato, a Stream spokeswoman . "We only started on satellite from the beginning of September, so it has only been two months," she adds.

John Lack, Stream's new general director, has declined all interview requests since joining the service in September. The hiring of Lack, an American who was one of the founding executives of MTV, helped focus attention on the former also-ran Stream operation.

As in Spain, all of the players in Italy were tightlipped at press time because negotiations to hammer out joint venture agreements were under way. Insiders believe that a resolution is close at hand.

While waiting for the outcome in that European market and the others, observers can only keep their ears to the ground and try to sort out the rhetoric from the reality — and, of course, keep the office betting pools going. ■

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This January, Broadband Has A New International Home

The editors of *CED* magazine and *Multichannel News International* are teaming up to bring you ***Broadband International*** – a monthly section in *Multichannel News International* dedicated to the latest broadband technology.

Featuring in-depth news, case studies, product reviews and more, ***Broadband International*** will provide complete coverage of the worldwide broadband market. And because it's produced by two of the industry's leading magazines, you'll find news and information that you won't read anywhere else.

CED and *Multichannel News International* are teaming up another way too – by providing a cost-effective way to reach the entire worldwide broadband market. All it takes is one phone call to your *CED* or *Multichannel News International* representative.

Multichannel News International
CED

Israel's TV War Zone

The anticipated introduction of satellite television in Israel next year is stirring deep debate as the cable industry there prepares for competition for the first time.

Israel is known around the world as one of cable television's most successful markets, boasting a penetration rate of more than 70 percent — a figure that few countries in the world can rival.

However, it now seems certain that by next year, the Likud government will succeed in introducing direct-to-home TV, more commonly known in Israel as direct broadcast satellite (DBS) service. That's largely because of a decision last month by Limor Livnat, Israel's Minister of Communications.

The cable operators aren't taking the threat sitting down. The situation intensified earlier this year when the cable players took the Israeli government to court, after it first said it would license DBS service. The cablers claim that the Israeli government broke promises that cable companies would have a longer window on pay TV exclusivity.

The debate dragged on through the year, leading to a meeting on Nov. 8 that failed to clarify any of the issues. However, Livnat indicated immediately after the meeting that the Israeli government plans to move the DBS licensing process ahead while the issue is debated. The application process will be open until Dec. 6, though the licenses will not be awarded until there is an official decision. Livnat expects to award them in January.

Industry leaders appear hopeful that a conclusion to their negotiations will come soon — although they're not sure what the cost will be to either side. "If [Yasser] Arafat and Bibi [Netanyahu] can make a deal at the Wye Plantation, perhaps even we and the government can reach agreement," jokes Gustavo Traiber, general manager of the Israel Cable Television Association (ICTA).

Traiber says it looks unlikely whether "a settlement can be reached which allows [DBS] to operate, and which also allows

By Sasha Levy

Akko, Israel. Potential satellite players aim to chip away at cable's tower of power.

the cable industry to operate under fair conditions" — at least without the Supreme Court intervening and making a decision for the two sides. If it is left to the court, a final ruling probably won't come until early next year.

In the meantime, both sides are pushing forward their arguments, as four groups line up to bid for DBS licenses.

Observers believe that the country's cable operators have good cause to fear a satellite invasion.

"DBS has the ability to hurt cable," points out Efi Landau, telecommunications and infrastructure correspondent for the Israeli business newspaper *Globes*. "Satellite can easily cover the whole country."

More specifically, Tammy Friedman, head of Clal DBS Group, a likely DBS investor along with partners Ishpar plc, The Lauder Co. and Hapoalim Investments, claims satellite services could take away as many as 500,000 — or almost half — of cable's 1.1 million customers in the long term.

ISRAEL AT A GLANCE

Population	6 million
Total Households	1.7 million
TV Households	1.6 million
Homes passed by cable	1.5 million
Percent of TV homes passed by cable	93.8
Cable subscribers	1.1 million
Cable penetration	70 percent

Source: Israel Cable Television Association

The government will allocate as many DBS licenses as required by the applicants, although it has already indicated that it thinks, for feasibility reasons, the bidding parties should consolidate down to two DBS groups.

The outcome of any settlement between the cable industry and the government is crucial for the potential satellite-license bidders, which are putting pressure on the government to make their conditions fair. "We will be bidding — if the settlement seems to us wise and economically sound," hedges Friedman.

A DBS platform for Israel will have a start-up price tag of $US200 million, with investors looking for 300,000 subscribers in the short term, industry observers say. A DBS service could break even with 200,000 subscribers, they contend.

"The Israeli market is small but good," says Friedman. "We will appeal to the innovators: the young, urban, better-educated viewer with an above-average income."

With $US800 million invested, it's understandable that the cable companies have been combating that "appeal" on a number of fronts. In addition to the long-running legal battle, four of the five original cable operators last March and April consolidated their businesses so they can speak with one voice and increase their clout. The operator Golden Channels took over Idan Productions, and Tevel Israel International Communications Ltd. acquired Gvanim Cable Television Ltd. High price tags were attached to the deals, with Golden Channels paying $US1,100 per subscriber and Tevel a whopping $US1,800 for each customer — a vote of confidence in the industry and an indication of the enormous success of cable in Israel.

There have been rumors the three remaining operators might merge into one company ever since the threat of competing with DBS first surfaced. The government has indicated that it would not oppose any further consolidation. Traiber does not believe the companies will wish to merge or need to because of the threat of DBS. "It is not a relevant issue right now," he says. "Perhaps when the companies want to offer full telecommunications services in competition with [the state-run telco] Bezeq, it will be."

With one of the highest penetration rates in the world, high viewership ratings, negligible churn and a more-than-satisfactory return on their money, the operators have enjoyed a golden decade.

The industry can already boast a steady subscriber base and 70 percent penetration. This compares with only 68 percent, for example, in the United States.

"While America is celebrating its 50th anniversary as a country with cable, we are celebrating our 50th anniversary as a country," says Traiber. Moreover, "the Israeli cable industry is still a young industry," he notes, because it didn't begin until 1989.

Cable has been a huge moneymaker in Israel. All three cable operators — Golden Channels with 408,000 subscribers, Tevel with 391,000 and Matav with 265,000 — offer the same "expanded basic" package of about 40 channels for a monthly fee of around 140 new Israeli shekels ($US40). At a monthly programming cost of $US5 per subscriber, that represents a big return for the operators.

That's a development that hasn't gone unnoticed by the government — or the DBS players anxious to get a slice of the pie.

The government claims that, by the end of 1999, not only will the cable operators have recouped their $US800 million investment, but they will also be seeing a return of 10 percent. The government sees that as a key reason why competition is due. The cable industry views things differently.

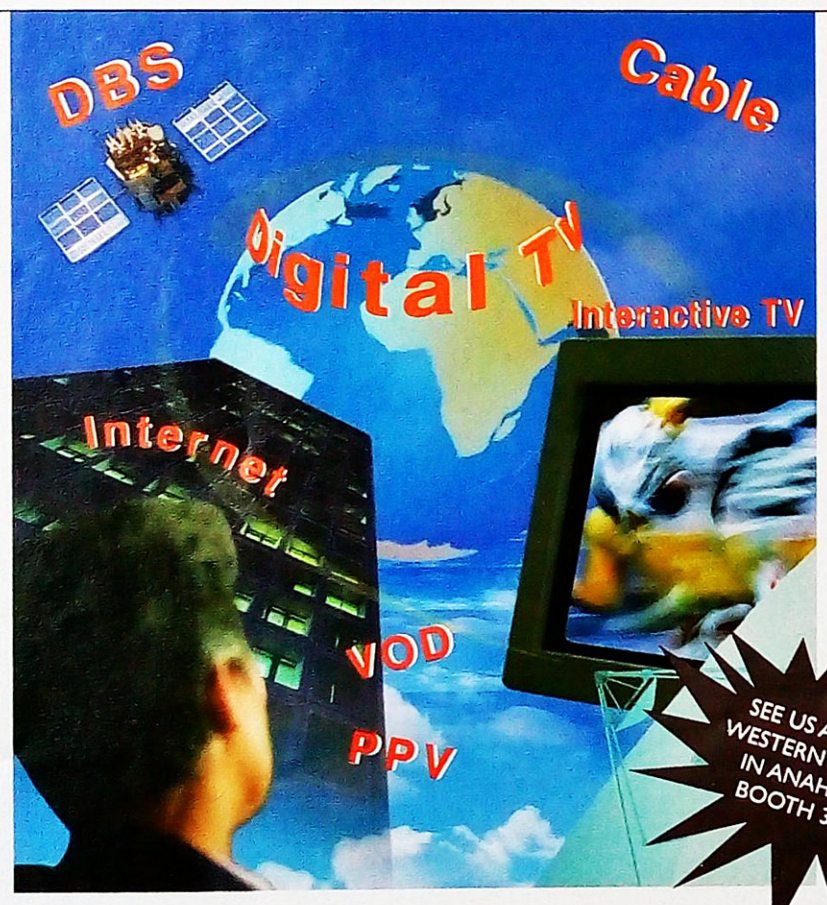
Once upon a time, the cable operators thought they had been promised exclusivity until 2003. It turned out they were wrong.

The government, on a mission to "let the market decide," seized on the cable operators' failure to hook up every outlying settlement and tiny village by 1995 — as stipulated in their license — to amend the original Bezeq law governing the cable operators.

Frantic attempts were made to hook up households once considered not viable. At the same time, the operators protested that no system could be expected to wire remote communities of fewer than 100 inhabitants. But the government fired its shot last January, effectively legalizing DBS.

Throughout the year, various chapters of the legal dispute be-

Continued on Page 35



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TECH TREK

Asian Talks Focus On Fiber Optics

Eleven years ago at the Western Show in the United States, the cable industry was revolutionized by the first public demonstration of linear fiber optics for cable TV. This demonstration illustrated how linear fiber optics could be used to cost effectively transmit many radio frequency (RF) video channels without having to convert the original signal from analog to digital.

Since that first demonstration, hybrid fiber-coaxial (HFC) networks have emerged as the leading video distribution network architecture around the world, providing dramatic improvements in both picture quality and reliability. On every continent, improvements in linear lasers and their associated RF circuitry, power output and bandwidth have allowed increases in channel capacity.

HFC systems based on the 1310-nanometer (nm) and 1550-nm transmission system synchronous optical network (SONET), as well as digital multiplexing alternatives, have enabled supertrunking and the consolidation of headends.

In North America, for example, the cable infrastructure has been widely deployed, with nearly half of the market served by newly upgraded cable systems. In Western Europe, some markets, including Belgium and the Netherlands, are almost entirely covered by cable, while others are just beginning to build out their infrastructures. As funds for communications infrastructures become available, less-developed Eastern European countries are simply opting to install modern HFC architectures.

In addition, the massive Asian market, with three times as many television households as Europe, is also in the early stages of developing the networks needed to meet the growing demand for cable TV.

To tap into that growth, Ortel Corp. is conducting a series of seminars beginning in January to help Asian network operators identify manufacturers that use high-quality components to meet the massive demand for communications solutions. The seminar series is directed at educating local original-equipment manufacturers (OEMs) and systems integrators about technology principles and developments in fiber optic communications solutions for broadband communications. In addition, the seminar series provides a unique opportunity for OEMs and integrators to gain new insight into the latest worldwide developments in fiber optics in

Continued on Page 34

TECHNICALLY SPEAKING

By Bill Moore

A guest commentary column on technology-related issues.

Billing Companies Develop Mobile Devices for Reps

BY HANK HOGAN

For the cable industry, the future is at hand — literally. A fistful of new products for field representatives promises to put the power to sell, service, schedule and audit in the palms of their hands.

It won't be long before that capability is realized, since most of the products are either commercially available or are projected to be on the market by the dawn of the new year.

CableData Inc. of Rancho Cordova, Calif.; CSG Systems Inc. of Denver; and MDSI Mobile Data Solutions Inc. of Richmond, British Columbia, are among the suppliers that have products aimed at better equipping and dispatching field-service technicians.

What's more, the new products they're offering — TechConnect from CableData, TechNet from CSG and Advantex-Telecommunications from MDSI — provide real-time schedule updates.

Continued on Page 30

On the road with MDSI's Advantex

Broadband International Section Starts in January

Multichannel News International is deepening its monthly technology coverage in January when it introduces a new section called Broadband International.

The new department will be a joint-publishing effort with *MNI's* sister publication, *CED* magazine, the bible of the broadband communications business in the United States. The section will replace the current Tech Trek technology department.

Roger Brown, editor of *CED*, will oversee the monthly coverage of global voice, video and data-technology issues. Working closely with him will be Leslie Ellis, who is both a contributing editor to *CED* and the senior broadband editor of another *MNI* corporate sister, *Multichannel News*. At the latter publication Ellis oversees the Broadband Week department, which targets U.S. corporate-technology managers, system operators and engineers.

"The addition of Broadband International to the monthly *Multichannel News International* is a logical extension of the Broadband Week franchise, which has proven very popular with the U.S. readers," commented Janet Stilson, editor of *MNI*. "We look forward to tapping *CED's* expertise to keep our readers fully informed about technology developments around the world."

Brown added that the collaboration with *MNI* to produce Broadband International "represents a significant step forward in expanding the coverage by *CED* of global broadband topics."

Brown can be reached by e-mail at RBrowner@aol.com, by telephone at (1) 303-393-7449 ext. 224, or by fax at (1) 303-393-6654.

The key advertising contact for Broadband International is Linda Sommer, Eastern sales manager of *CED*. She can be reached by e-mail at Lssommer@aol.com, by telephone at (1) 303-393-7449 ext. 205, or by fax at (1) 303-393-6654.

TECH TREK

Mobile Devices,
Continued from Page 29
Some also enable field audits and sales.

Two of the new offerings, TechConnect and TechNet, are alike in more than name. They both use cellular phones capable of cellular digital packet data (CDPD) transmissions. Both also use specialized Web browsers optimized for the displays and keypads of such phones.

"What these technologies combine to provide is a window on the billing system for the field technicians," says Bill Tickner, director of international marketing and alliances for CableData in Farnborough, England. "So the people who are out in the field installing cable systems and telephone systems, who are checking them or testing for faults — whatever they're doing — can access the part of the billing system which is the link to our other products that are used to manage their work."

According to Tickner, the two-way communications extend not only to data, but also to voice. This helps eliminate unnecessary truck rolls due to scheduling changes. It also means that customers can be informed of any modifications. This is done at a far lower cost than the alternative methods, which traditionally have involved radios, pagers and staff intervention.

To display properly on a cell phone, both TechConnect and TechNet rely on Web browsers that understand Hand-Held Device Markup Language (HDML), a scaled-down version of the more widely known Web standard, HyperText Markup Language (HTML). But technicians have to be trained to use these browsers, and that may limit how rapidly the products can be deployed.

Additionally, both products depend on CDPD. The standard has been around for years and, unlike familiar cellular communications, is data protocol. As a result, data rates are faster than over standard cellular modems, which run over voice channels. Also, connections can be made and dropped very

NOLAND

quickly, making data transmissions even more efficient. Finally, data transmission is much more secure than analog cellular transmission.

One limitation is that CDPD service must be available in an area before either TechConnect or TechNet can be used. However, the protocol is widely deployed throughout many areas of the world.

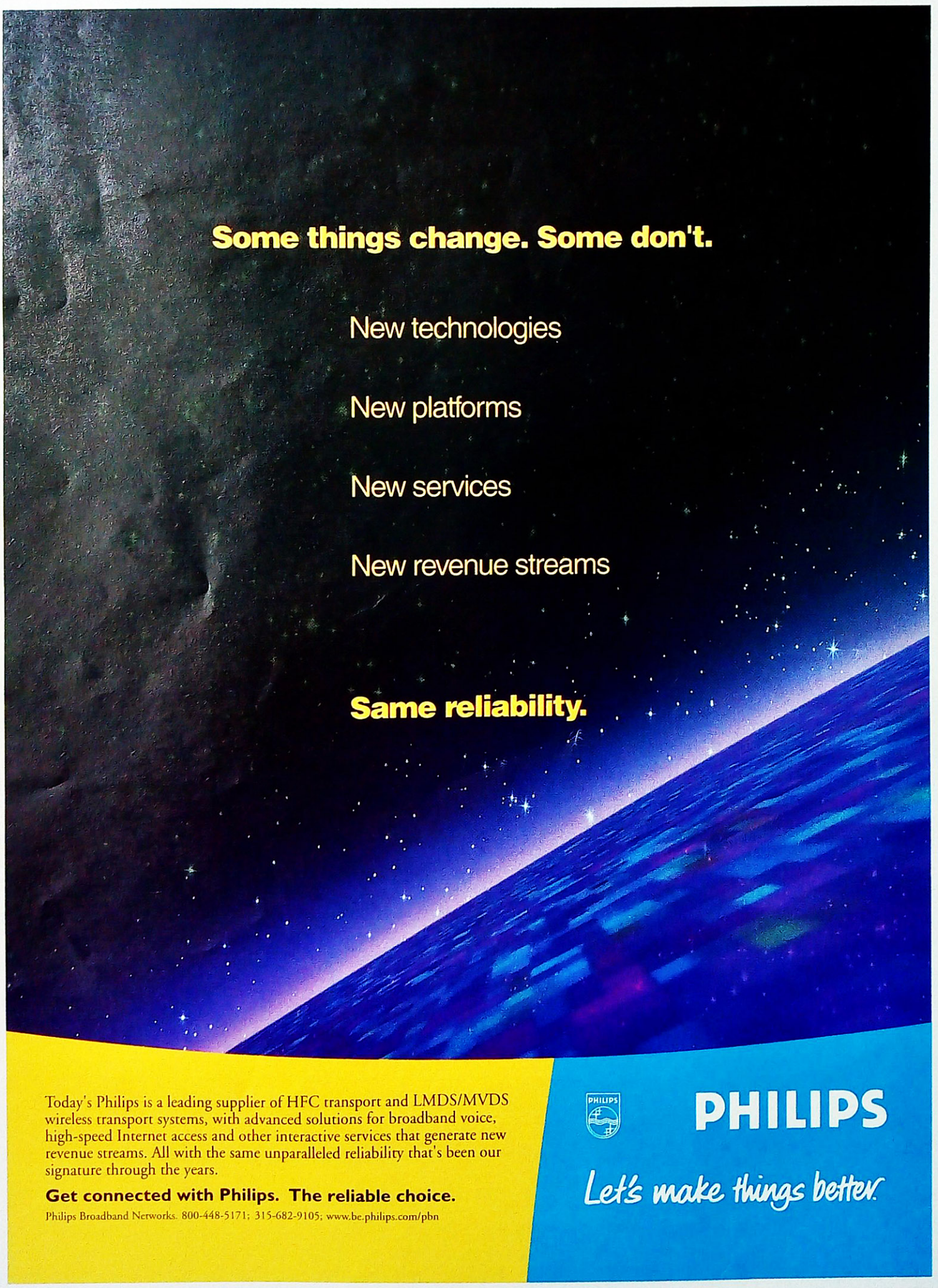
In addition, TechConnect and TechNet can be more than scheduling tools. For instance, both enable field sales.

In the case of TechNet, the technician knows what products the customer is supposed to have. That adds to his effectiveness.

"If the technician got out at the customer's site and found that they maybe had different products and services than [those] for which they were being charged, it's a good audit tool," remarks Char Noland, director of sales consulting for CSG.

Both TechConnect and TechNet are in beta testing with large multiple system operators (MSOs) in the United States. So far, results are re-

Continued on Page 33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— *Thomas R. Jokerst*

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Broadcom Buoyant on New Products, Secondary Stock Offer

U.S. Chip Maker for Broadband Sector Continues to Soar

BY CRAIG KUHL

In April, Broadcom Corp. made a name for itself on The Street with a wildly successful initial public offering of 4.5 million shares that netted it $US80 million. Recently, the Irvine, Calif.-based maker of integrated silicon technology for the broadband industry returned to back up its reputation.

Its October follow-on public offering of 3.5 million shares generated more than $US30 million. Three weeks later, the Nov. 9 announcement of a new Broadcom chip sent the company's stock to a then-all-time high of $US92.50, a 33 percent jump since the secondary offering, and a stunning 385 percent increase from its $US24 a share IPO price in April.

These spectacular stock offerings, which together raised $US110 million, will provide Broadcom with the capital needed to drive deeper into the cable and satellite businesses and to roll out cutting-edge technologies and products, such as the company's new BCM 7014 Advanced TV Graphics Chip.

"They've targeted the satellite and cable industries with silicon chips for broadband communications to the home, and seem to have the right technology at the right time for this market," says Sean Badding, senior analyst for The Carmel Group, a telecommunications and media research group in Carmel, Calif. "By providing a value-added chip for both the satellite and cable industries, they're hedging themselves in those segments."

Broadcom supplies silicon chips to the burgeoning United States cable-modem and digital set-top box markets, and is carving a technological niche for itself in the promising modem and digital-video segments of the cable and satellite industries.

At the same time, it has become a darling of Wall Street, with its shares trading at $US88.25 at presstime on Nov. 18. Its IPO-to-date low of $US47 came just shortly after the April 17 offering, which saw shares rocket to $US62.75 from $US24.

The company is staking a fair part of its bet on the international market, forging a partnership with Cisco Systems Inc., Dassault-AT, Deltakabel, Elsa, FUBA/ General Instrument Corp. and other members of the European Cable Modem Consortium. The group is developing cable-modem and cable-networking products based on the International Telecommunications Union (ITU-T) J.112 Data Over Cable Service/ Interoperability Specification (DOCSIS) standard.

The U.S. cable and satellite industries represent Broadcom's key markets, however, and are driving the company's domestic strategies, says Tim Lindenfelser, vice president of marketing for Broadcom. "Our strategy is to increase the amount of silicon content, such as video graphics, in a given system, such as set-top boxes," he says.

Broadcom's ultimate goal, Lindenfelser maintains, is to integrate microprocessors into a single chip. "We have the intellectual property for microprocessors to create a system on a single chip, and a single-chip cable-modem device to voice-over-IP," he says. "Our strategy is to increase the level of integration by adding more of the system on a single chip."

The company was due to market its new BCM 5209 solution at the U.S. cable industry's Western Show in Anaheim, Calif., from Dec. 1 through Dec. 4. The product is designed to reduce the number of integrated circuits by two thirds. According to Broadcom, it will enable manufacturers such as GI, Scientific-Atlanta Inc. and others to introduce high-performance, dual-speed hubs, which will lower costs and reduce overall system power needs by about 20 percent.

> *"Our revenue from product sales in Europe is about 10 percent to 15 percent of total company revenues."*
>
> *— Tim Lindenfelser, vice president of marketing, Broadcom Corp.*

Broadcom last month also announced its BCM 7014 Advanced TV Graphics Chip, which sent its stock soaring. The chip will allow simultaneous viewing of high-quality Internet content and Web sites, interactive electronic program guides, and multiple-layered graphics and video windows using standard TV monitors. It will also support studio-quality text, graphics and video on television displays, the company says.

From a business perspective, Broadcom maintains that the 2D/3D graphics accelerator built into the BCM 7014 will enable set-top manufacturers such as GI to more cost effectively build their systems. The graphics chip is the company's first entry into the graphics set-top chip market, and will be targeted, Lindenfelser says, at the next generation interactive set-top box market.

That market, he concedes, could get crowded fast. "This is, admittedly, a very new market, but we were the last to enter the networking market after companies like Lucent [Technologies] entered," he notes. "We were a product of that market opening up. Now, our strategy is to use circuit innovation and techniques, and architecture. Because, at the end of the day, smaller chips will prevail."

Questions remain, however, about the actual size of the domestic cable-modem and digital set-top box markets, and just how significant Broadcom's revenues from them will be. According to The Yankee Group, a research firm based in Boston, Mass., the two-way cable-modem market in the U.S. will total 4.3 million subscribers by year-end 2002.

"That's a relatively small market," says Jim Wahl, an analyst for The Yankee Group. "The potential downside is that the modem and set-top box markets won't take off like the computer industry. They must be careful not to draw comparisons."

Comparatively speaking, the modem and set-top box markets aren't exactly mature industries. "The modem and set-top markets are in their infancy stages," Wahl notes. "It's still early, and there will be opportunities for competition to develop products as well."

The international market, Lindenfelser says, could be significant once Broadcom's products are modified for Europe according to DOCSIS standards. "3Com is a large manufacturing customer of ours in the U.K. with 25 percent to 35 percent of our revenues in manufacturing there, and our revenue from product sales in Europe is about 10 percent to 15 percent of total company revenues," he adds. "We'll be aggressively promoting our products in Europe."

"Broadcom's roadmap includes a pretty aggressive international strategy," observes Badding. "There's oversupply in the semiconductor business worldwide, so times are tough and revenues are down. But we expect to see the demand catch up with supply by mid-1999, and Broadcom has a six-month lead time on its competition."

Whether that lead time translates into revenue for Broadcom and its competitors will depend on the U.S. and European consumers' appetites for the advanced video and data services being offered by the cable and satellite industries.

At this point, Broadcom is betting they're hungry for them. ■

Broadcom's BCM 7014 debuted on Nov. 9

TECH TREK

Mobile Devices,
Continued from Page 30

portedly encouraging, but no official will comment publicly on them.

CableData also has another new product: SalesExpress. It enables a mobile sales force to complete transactions on the spot, saving paperwork and shaving up to a day off the start of the billing cycle. This is done using a 3Com Corp. PalmPilot hand-held computer, which stores the entire sales system and also enables electronic signal capture.

Right now, SalesExpress is a technology concept, but CableData's Tickner says it is possible that the product may make it to market before TechConnect does. The primary reason is the ease of deployment. Nothing is needed beyond the hand-held computer itself, which can either transmit data back on the spot, or dump it at the end of the day.

Customer billing and management software is a primary business of both CableData and CSG. Their new hand-held products are an extension of this focus.

However, that isn't the case for MDSI, which makes a line of sophisticated mobile work-force tools based around wireless communication, laptop computers and global-positioning systems. The lack of customer billing and management software hasn't stopped MDSI solutions from being selected by such companies as Cablevision Systems Corp. of Woodbury, N.Y., and Atlanta-based Cox Communications Inc. Indeed, that deficit may actually be an advantage.

"MDSI has built repeatable interfaces to each of the four major billing systems in the cable industry — CableData, CSG, CBIS [Convergys] and Kenan [Systems Corp.] — easing the integration of Advantex-Telecommunications into customers' existing corporate environments," notes Bob Campbell, vice president of telecommunications and cable for MDSI.

Campbell adds that Advantex-Telecommunications is capable of very sophisticated handling of the complex problem of scheduling field workers. He says the product increases technician productivity by an average of 15 percent, enabling dispatchers to oversee two to three times as many technicians.

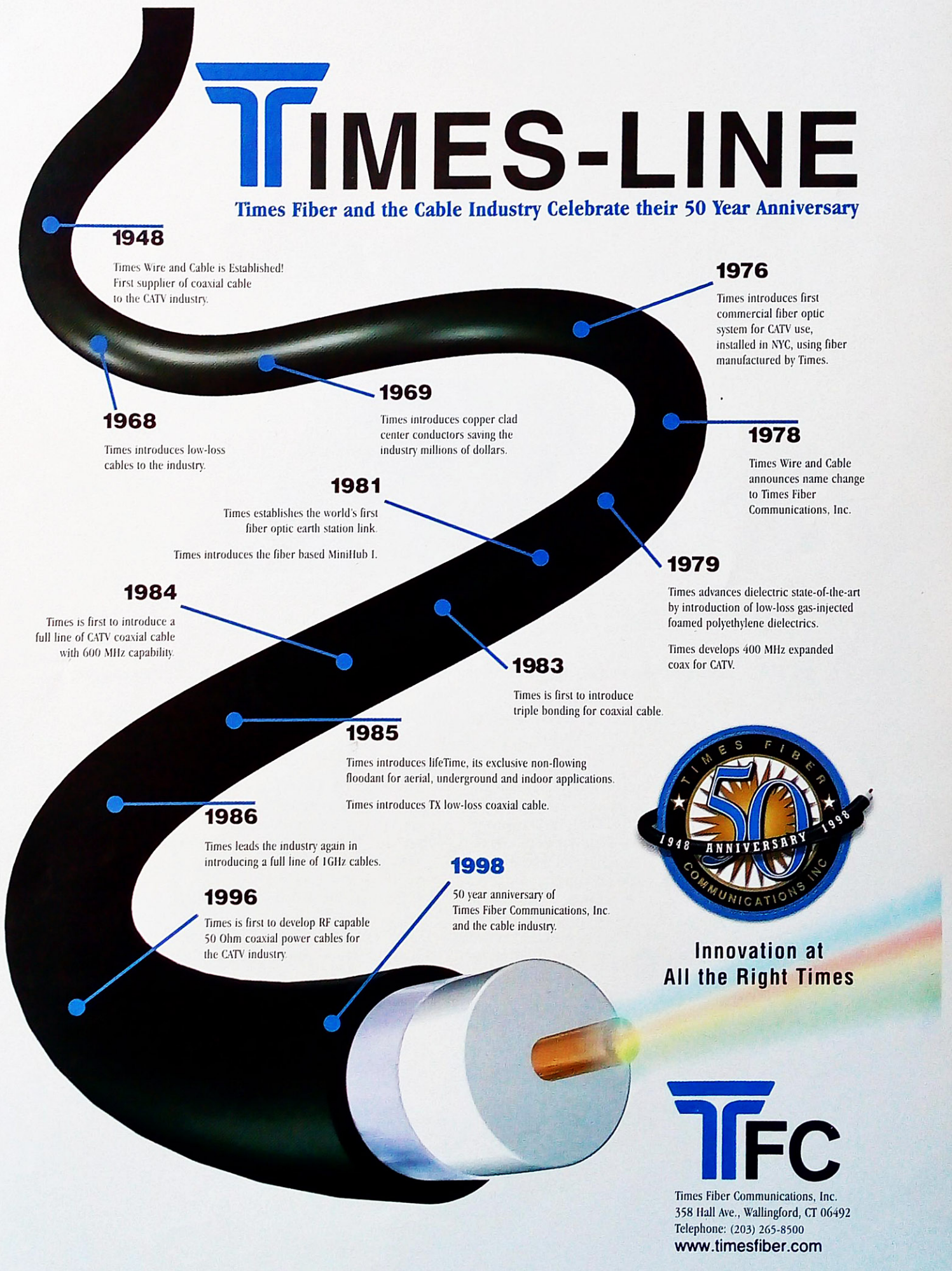
One problem is that MDSI solutions require laptops and, for some of the more advanced capabilities, global-positioning systems. That combination that can be quite expensive, but the company plans to migrate to hand-held computers.

TechConnect and TechNet run on widely available cellular phones that typically cost a few hundred dollars in the United States.

TechConnect and TechNet, on the other hand, run on widely available cellular phones that typically cost a few hundred dollars in the United States. Meanwhile, the cost for CDPD service runs from $US15 to $US30 a month. Not only is this much less expensive than the alternative two-way radio communication, but there are other savings as well.

"The interesting part about the two-way radios is that they're user-specific, which means every single user on every single shift has to have their own device," notes CSG's Noland. "Whereas the TechNet phone you can pass around and you sign on with a user name and password."

With more capabilities at less cost, this new class of products could prove to be quite a handful. ■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Times introduces low-loss cables to the industry.
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Times introduces first commercial fiber optic system for CATV use, installed in NYC, using fiber manufactured by Times.
1978
Times Wire and Cable announces name change to Times Fiber Communications, Inc.
1979
Times advances dielectric state-of-the-art by introduction of low-loss gas-injected foamed polyethylene dielectrics.
Times develops 400 MHz expanded coax for CATV.
1981
Times establishes the world's first fiber optic earth station link.
Times introduces the fiber based MiniHub I.
1983
Times is first to introduce triple bonding for coaxial cable.
1984
Times is first to introduce a full line of CATV coaxial cable with 600 MHz capability.
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Times introduces lifeTime, its exclusive non-flowing floodant for aerial, underground and indoor applications.
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TECH TREK

Technically Speaking,
Continued from Page 29
order to optimize cable networks throughout Asia.

Asia's broadband engineers are particularly interested in revolutionary linear fiber optic technologies for HFC networks, including 1310-nm and 1550-nm transmitter technology, laser-based and photodiode products, and trends in HFC network design.

At the forefront of our Asian seminars is an examination of the virtues of 1310-nm and 1550-nm technology. The combination of 1310-nm and 1550-nm technologies has emerged as the superior HFC architecture because 1310-nm is the most cost-effective solution for distribution, while 1550-nm is the choice for supertrunking.

Asia's operators will learn about the integration of 1310-nm technology in today's predominant or "classic" architecture from the hub to the node. The seminars will also teach Asian operators how to maximize their 1550-nm systems to provide state-of-the-art transmission over the long distances between the headend and the hub.

The talks will demonstrate the advantages of combining 1310-nm and 1550-nm technology — the architecture used in the vast majority of today's HFC networks — to create a cable television system that is both cost-effective and flexible, with a clear migration path to today's and tomorrow's cable television services.

We also hope to look at emerging system architectures. Of particular interest are the merits of using complete 1550-nm technology in rural areas that are sparsely populated or do not require interactive services. We'll also explore other recent architectures that use wavelength division multiplexing and analog wavelength division multiplexing technologies.

HFC, especially with an activated return path, lends itself to more than TV services in Asia. Internet users will benefit from the added bandwidth, as today's 28.8-kilobit-per-second modems are replaced with Ethernet speeds of up to 10 megabits per second, similar to what is available in ordinary local-area networks. Once users gain access to higher data rates, the backbone speed must increase, which spurs another round of increases in access speeds. We hope to show that HFC is the leading architecture to accommodate this demand in Asia.

As video streaming, low-latency connections, Internet-protocol (IP) communications and other advances pioneered by the data-communications industry penetrate the Asian markets, personal computing and cable TV will begin to converge in ways that are not yet fully understood.

The demand for high-bandwidth, two-way communications has become intense due to a number of factors, including Internet use, telephony, broadcast television, the birth of digital television on demand, telecommuting and other new services. HFC networks have emerged over the last 10 years to provide high-bandwidth access on a global-network scale.

Our Asian seminar series is designed to educate OEMs so they can produce products that will assist cable operators in maximizing the performance of their networks by providing comprehensive, up-to-date information on fiber optic technology principles and developments. RF and microwave fiber optics discussions will focus on the selection of key optical-fiber components and transmitter design considerations that will meet the challenging requirements of these communications applications.

Bill Moore is vice president and general manager of the broadband communications business sector of Ortel Corp. in Alhambra, Calif.

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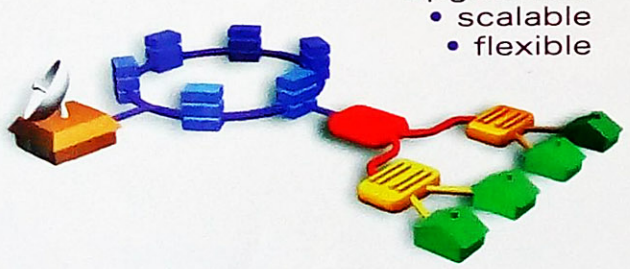

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Israel's War

Continued from Page 28

tween the government and the cable industry have unfolded, leading to today's debate and pending settlement.

If it resolves the legal issues in DBS' favor, the Ministry of Communications expects the license submission process to take about two months, with licenses set to be issued at the beginning of 1999. DBS launches are likely to follow by the end of that year.

Ironically, after years of defending its exclusive arrangement and protected status, the cable industry is now on the offensive. Traiber bitterly accuses the government of preventing the cable operators from offering digitalization, tiering, pay channels and near-video-on-demand.

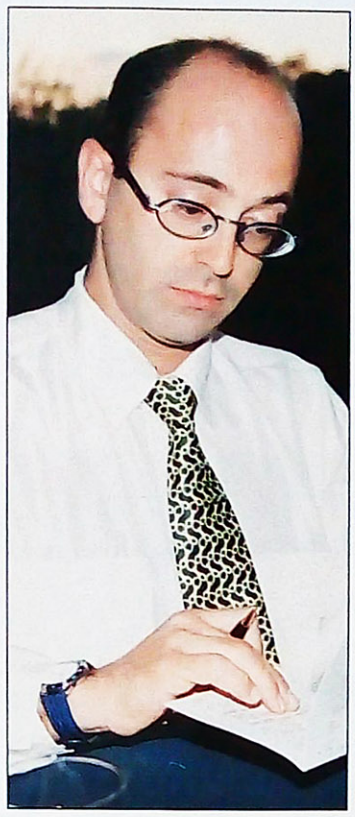
"This is part of their discriminatory policy to protect DBS," says Traiber. "The government is wrong. They are punishing 1.1 million subscribers."

Eli Nissan, senior media consultant to the Israel Broadcasting Regulatory Administration at the Ministry of Communications, fires back: "Nobody is preventing cable from offering new services," he says, "but the cable operators for eight years did not bother to offer tiering. Instead, they offered one of the most expensive 'super-basic' packages in the world — with only five original channels."

The potential players on the DBS side are putting pressure on the government to cushion their business in the early years by barring cablers from introducing the new services.

"The government must create terms that support DBS — otherwise it will be very hard for us," says Friedman.

Meanwhile, Traiber also accuses the government of unfair practices in negotiations between cable operators and channels over new carriage deals. At the heart of the issue is cable's so-far-unsuccessful attempt to replace NBC Europe with the NBC-backed National Geographic Channel. "[Cable operators and the channels] have to assure us that they're not signing an exclusivity deal under the table," says Nissan. "We want to see a clear-cut commitment that they will not prevent the satellite operators from using this channel."



> It looks unlikely that "a settlement can be reached which allows [DTH] to operate, and which also allows the cable industry to operate under fair conditions."
>
> *— Gustavo Traiber, general manager of the Israel Cable Television Association*

Traiber says he resents the government's insistence on a "must-sell" policy, saying he's reluctant to supply his competitors with the very channels cable developed.

"I'm sorry. Gustavo's a nice guy, but he's not well-informed," retorts Nissan. "In order to enable competition, we do not want any platform, i.e. cable, to have [the ability] to block competition. No democratic government would allow this.

"In the U.S.A., the Program Access Rule forces the [cable program companies owned by systems] to make their channels available to DBS platforms; the same in the European Union," he notes. "We are trying to implement the conditions that already exist in the U.S. and Europe.

One other point of debate is the Ministry of Communications' attempts to separate the cable programming body Israel Cable Programming Co. Ltd. from its owners, the cable operators. "ICP was created by the operators to prevent other content providers from using their platform," says Nissan. "When the service provider has a monopoly, he should allow other content providers to use his system. They want to offer their subscribers only one package in order to maximize their profits."

He adds: "We don't mind them making money, we just want them to offer choice."

Uriel Vulej, president of Megacrypt Video Industries, a company selling TV technology equipment in Israel, voices widely held support for the government's stance. "The government has to fight cable because it's both a monopoly and a cartel," he says.

But Aliza Odenheimer, who has been following the legal battle as court correspondent for *Haaretz* newspaper, points out, "If the government's case was so strong, it would have been resolved long ago: the cable companies do have legal rights."

Nissan sounds a cautious note on the whole future of multichannel TV in Israel.

"If DBS is unviable, the government will have no alternative but to reregulate the whole multichannel business in Israel," he warns. "We will have to ensure that competition will prevail in content, if not between platforms, which means the cable companies will not be allowed ownership of content. Otherwise, we'll be left with a monopoly."

Looking ahead, the regulator outlines three possible scenarios: the present cable monopoly remains; DBS is licensed and cable wins the competition in a "knock-out" fight, leading to a de facto monopoly; or there is fair competition between cable and DBS.

"If one of the first two scenarios comes to pass, cable will have to be reregulated," Nissan concludes. "The third scenario would be best for everyone. Then we can deregulate the market, and step back." ■

SILICON WADI

The cable industry is not alone in enjoying remarkable success in Israel over the last few years. Locally known as "Silicon Wadi" (wadi is the Arabic term for a valley cut by a stream), Israel is home to many high-tech cable and satellite suppliers. While the locals currently compete closely against Far Eastern manufacturers, they predict that it is only a matter of a few years before they are world leaders in the market.

Uriel Vulej, president of Jerusalem-based Megavision Video Industries Ltd., claims a deal, worth $US20 million to $US30 million, to supply his encryption system, Megacrypt, to this country's three MSOs will enable the operators to offer services such as pay-per-view and tiering to addressable homes.

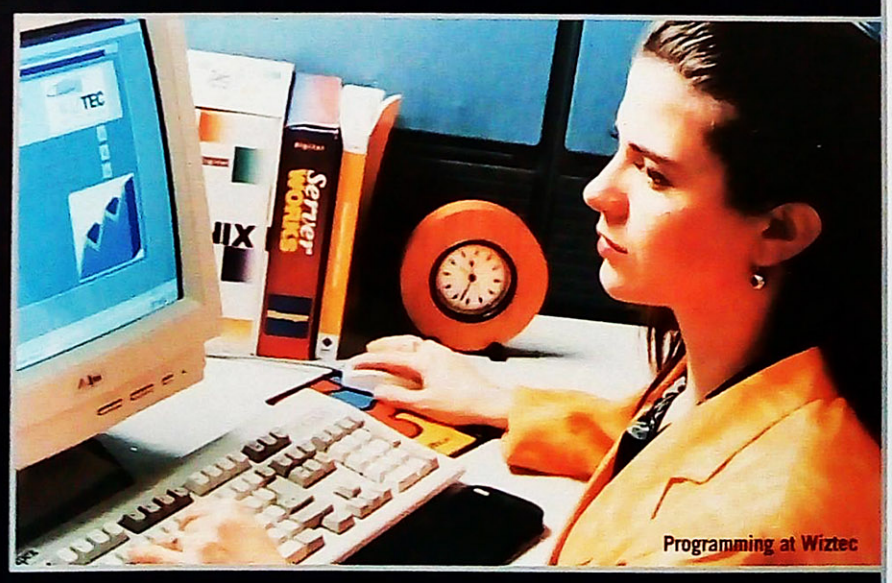
"Megacrypt is capable of upgrading the present system at a very low investment cost," he stresses.

Megacrypt was exported to Paraguay last year and a deal in another South American market is about to be announced. Meanwhile, through a deal with Canada's NCA, a microprocessor chip provider, Megacrypt is being upgraded.

Wiztec Solutions Ltd. is another big player on the Israeli scene. Enrique "Zvi" Sever, vice president of marketing and sales, describes its WIZARD as the world's leading subscriber-management and billing system, and says it has been implemented around the world. Wiztec supplies Foxtel in Australia and Bell Atlantic Corp.'s investments in the United States, the United Kingdom and Singapore. Last month, direct-to-home platform U.S. Satellite Broadcasting became Wiztec's newest client.

Sever points to several reasons for Wiztec's success. "Israel is strong in all high-tech fields, and we are part of this success. Our strategic alliance with Convergys Corp. [formerly CBIS] gives us a strong position worldwide in the cable TV and telephony markets," he says.

Another homegrown world leader in its market is Foxcom Fiber Optic Solutions. Founded in 1993 by Howard Loboda, previously an executive with rival Ortel Corp., Foxcom's star product is STDV, a satellite-TV distribution system, which addresses the problem of wiring large building complexes for satellite TV.



Programming at Wiztec

Foxcom recently concluded a $US2 million to $US3 million contract with Star Choice Communications Inc. in Canada. Other clients include Southern Utilities; Alcatel Alsthom S.A.; British Telecommunications plc; Hughes Electronics Corp. and Northern Telecom Ltd. Foxcom forecasts sales of over $US10 million by the end of 1999.

— Sasha Levy

Latino DTH

Continued from Page 20

a year and a half ahead of Sky. Until both these services have greater play in this market, it will be difficult to tell who has the upper hand in the longer term.

One real beachhead for DirecTv is Venezuela, home turf of its partner Cisneros. There, DirecTv claims 70,000 subscribers, a base that will make it particularly tough for Sky when it lands there. Playing catch-up, though, does not appear to worry Mark Goldman, president and CEO of Sky Latin America. "I think that Sky is well-positioned to roll out in new markets and establish a leadership position," he says, adding that Argentina is the next market where the platform plans to launch.

GLA's California broadcast center

Certainly, Sky has shown its ability to turn markets around. Although it bowed in Brazil in October, 1996, about six months after DirecTv's official launch that April, it succeeded in taking the lead. By the third quarter of this year, Sky in Brazil released initial figures saying it had 249,000 subscribers. In contrast, DirecTv has reported 200,154 Brazilian subscribers.

Observers inside and outside of TVA say DirecTv's shortfall in Brazil can be at least partially blamed on TVA's four American partners, which reportedly did little to push the DTH side of their business. The foursome – The Walt Disney Co.'s ABC Inc., Falcon International Communications, Hearst Corp., and Chase Manhattan International Finance Ltd. — rode into São Paulo about three years ago with high hopes of pumping up the company's various pay TV businesses. But after some success and a great deal of internal turmoil, they've decided to sell their shares.

Previously, TVA's cable and DTH divisions constantly rubbed each other the wrong way, as competing siblings often do. Now, with the DirecTv operations under the wing of Abril, the unit is expected to gain enough independence to run a much more competitive business.

Part of the challenge to both platforms in Brazil has involved the C-band businesses that TVA and Globo operated before they became involved in the sexier digital Ku-band platforms. Sky has been more effective in wooing those C-band customers over to Ku, according to the São Paulo-based pay TV consultant, José Luiz Frauendorf.

In early August of this year, Sky said it had completely converted its C-band base over to Ku-band, giving it a grand total of 249,000 subscribers. "Sky made a lot of investment and installed boxes [for Ku-Band reception] for free," says Frauendorf.

He notes that TVA's C-band unit, Digisat, still had 69,065 subscribers in the third quarter of this year. Add those C-Band subs to DirecTv's 200,154-subscriber strong Ku-band base, and you get a total of 269,219 subscribers. "If TVA converted all its C-Band to Ku-Band it would surpass Sky," says Frauendorf.

In luring new customers across the region, both platforms are using a certain amount of exclusive programming to distinguish themselves. Televisa and Globo reserve all of their broadcast networks and a select number of their satel-

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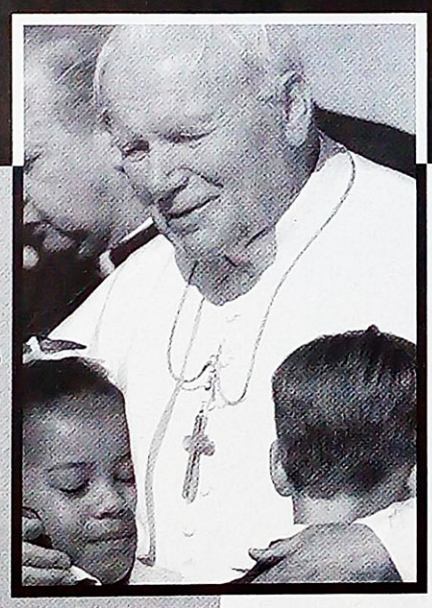

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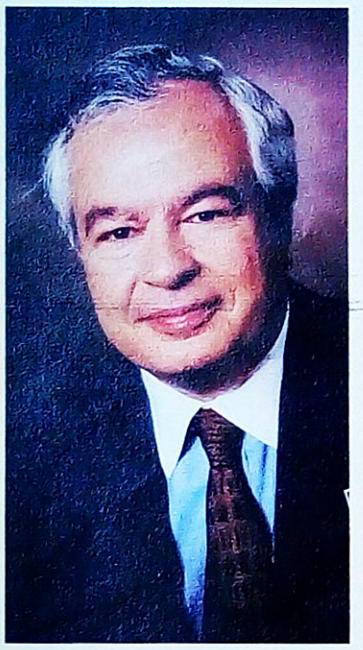
lite-delivered channels for Sky. Cisneros does the same to help the DirectTv cause with its Venezuelan broadcast channel Venevisión and panregional satellite services such as animation channel Locomotion. And TVA throws a few exclusive channels DirecTv's way as well.

However, GLA executives contend that some of Sky's exclusivity strategy just isn't fair. They say that Televisa's four terrestrial signals and Globo's national broadcast network should be made available to all pay TV



"We are going to push every single area: marketing, distribution, sales. That is the basis of our phase two."

— José Antonio Ríos, president and CEO, Galaxy Latin America

providers in their respective markets. It's pressing the case with the Mexican and Brazilian governments. "We are lobbying very hard on this," says Ríos.

As the platforms struggle over that issue, they're also upping the ante on exclusive sports events. While neither platform has gone so far as to buy sports teams outright — as News Corp.'s British Sky Broadcasting is attempting to do in England with the soccer team Manchester United — sports rights are an increasing part of their agenda.

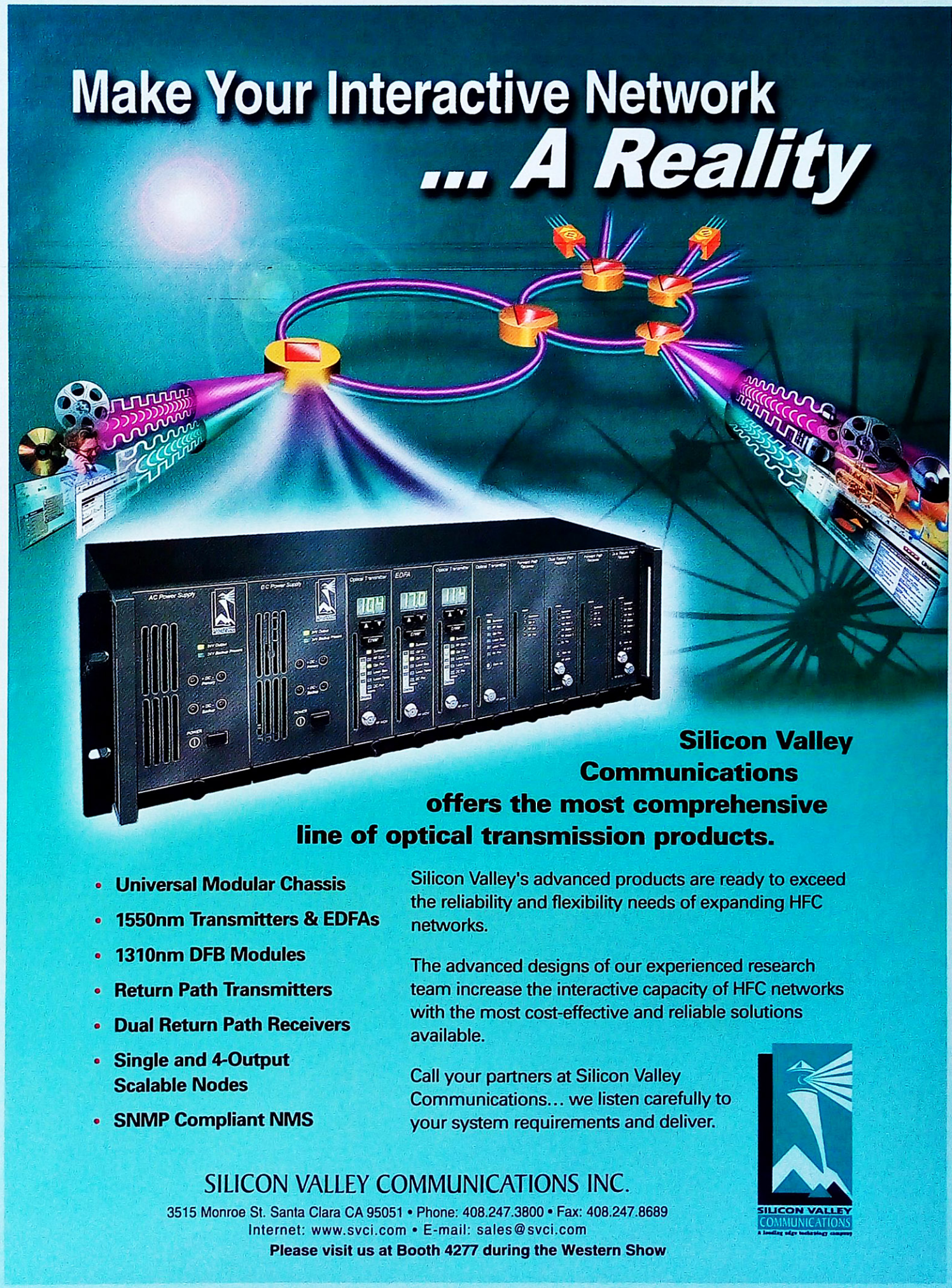
This year, GLA bought 10 Spanish-league soccer matches, two of which it sold on to the pay TV sports service ESPN International, says Ennis. Sky has been forking out money for soccer rights in Colombia and Chile.

And when rights for the World Cup in 2002 and 2006 come to auction, both platforms may be among the bidders. In the past, these rights have been monopolized in Latin America by a body known as the Organización de la Televisión Iberoamericana, an alliance of media companies across the region that includes Televisa and Globo. But for the first time ever, World Cup rights will be negotiated on an open-market basis.

GLA's Ennis, for one, describes these rights as "very important" and anticipates that the price paid for the 2002 event will be fivefold what it was in 1998. Sky declines to comment on whether it is bidding or not. But if it does, it could form an alliance with the Fox Sports services, given past joint efforts to buy football rights in Latino markets like Chile.

Clearly, programming will be an important lynchpin for the services if they are to achieve their own subscriber goals in the future and meet the predictions of others. Washington, D.C.-based consultant The Strategis Group Inc., for example, expects that in five years, the Latin American DTH universe will stand at 7.5 million subscribers — about 5 million of which will come from Argentina, Brazil and Mexico.

Most bet that by then, Latin America's panregional platforms will still be dueling under the sun — and among the stars. But whether they break out the bubbly and toast to their profitability is anybody's guess. ■



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BLIPS ON THE SCREEN

Scrambling,

Continued from Page 5

Were that to happen, most channels would need to dramatically alter their strategies — either by restructuring themselves with an India-based company fronting them, or moving away from this market altogether. "Going pay immediately is a means to source as much revenue as possible to set up new local companies," says Rao.

However, programmers such as R.K. Singh, managing director of ESPN, and Kunal Das Gupta, CEO of SET, say they aren't thinking that far ahead. Since the BJP has no majority in the Rajya Sabha, the upper house of the Indian parliament, it is unlikely that the Broadcasting Bill containing this clause will be allowed passage, they contend.

No matter what happens on the regulatory front, changes in the financial scenario for channels have already occurred. "This year, the growth in advertising inflow in [cable and satellite] channels has been 20 percent, as compared to 40 percent the year before," reports Ambika Srivastava, a New Delhi-based senior vice president at ad agency McCann-Erikson.

"Advertising cannot stretch across the 30-odd channels that beam over India, so there is no option but to go pay," says Rathikant Basu, CEO of Star TV's Star India unit.

The economics appear encouraging. Basu calculates that the three encrypted Star channels collect an average monthly subscription fee of 2.5 rupees (6 cents U.S.) each. With a declared subscriber base of 4 million homes, that means each Star channel is earning a minimum of Rs10 million ($US236,000) per month.

For channels such as Star, that revenue inflow more than makes up for the government restrictions that pay channels must adhere to if their signals are received through decoders. Under the Cable TV Ordinance of 1994, encrypted channels may only transmit programs that comply with local traditions — refraining from depicting excessive violence or sex. They are also barred from transmitting liquor or tobacco ads.

But these are conditions that most broadcasters are willing to conform to, says Discovery's Karnik, who heads an informal committee of programmers looking into a revised programming code for cable and satellite channels.

"Most channels, even of the MTV variety, are willing to adjust to Indian cultural values," he explains.

Perhaps Karnik has been forewarned. Rupert Murdoch, whose Star TV owns Star Movies, has already been called in by the Delhi courts to explain why the channel transmits films that cross the obscenity boundary.

As far as the ban on advertising is concerned, of the Rs 12 billion ($US3 billion) of advertising revenue accruing annually to cable and satellite channels, less than 5 percent comes from liquor and tobacco ads. Besides, with the TV industry still awaiting the long-delayed passage of the Broadcasting Bill that is expected to overhaul the whole industry, the Cable Ordinance is practically a dead issue.

If there is a bottleneck, it is congested with recalcitrant cable operators who are unwilling to part with money collected from their subscribers. It's not surprising that operators routinely underreport their exact number of customers. Roop Sharma, president of the trade association Cable Operators Federation of India, says that with so many channels now encrypting their signals, operators are now "compelled" to part with extra revenue.

And while they're eating the cost themselves for now, the operators say they'll pass the extra cost on to their subscribers. That could create some bad publicity for the concept of pay TV, since it would double the monthly fees subscribers currently pay.

It's not yet clear if or how much subscribers will resist the higher rates. But, so far, some pay TV channels are creating a strong buzz amid their operator-fronted rollouts.

Within a month of its launch, AXN had reached 1 million households, even at the rate of Rs4.50 (11 cents U.S.) per sub. "It's this kind of response that has encouraged us to tie up with Kermit channel and Hallmark Entertainment Network and begin to air two pay channels," says Lalit Modi, president, Modi Entertainment Network, who adds that subscribers have called operators to request the channel. His company's pending agreement with Hallmark Entertainment for those two channels involves distribution, but no equity, much like Modi's distribution agreement with ESPN.

There's little doubt that the response is sending other networks scrambling to scramble their signals as well. ■

Hahn,

Continued from Page 5

behind the moves. These explorations have prompted rumors of Kirch opening up his group to outside investors, such as the Italian media tycoon Silvio Berlusconi and Saudi Arabia's Prince Al Waleed. Above all, at a later date, a stake in Kirch may be sold to the public.

Other than in October, when Kirch generally confirmed it was in talks with potential partners and considering an IPO, the company has mostly declined to comment on the moves being considered. More than ever, all eyes are focused on Hahn, who is seen as having a few basic, but important, skills to bring Kirch into its new phase.

"Dieter Hahn is very talented in communicating," says Florian Lahnstein, a senior vice president at Merrill Lynch International who's in charge of German media for the investment bank. The comment isn't that surprising. Before being identified as Kirch's clear No. 2 last summer, when he was named vice chairman, one of Hahn's roles was as a spokesman for the company.

Although Hahn declined to be interviewed for this story, Kirch has actually let its notorious reputation for silence erode, exposing a company that's more willing to act in new and open ways. Hahn is playing a part in changing how Kirch is perceived.

"Lately, you can observe the group is opening up. This may be useful for the future," says Michael Schatzschneider, a stock analyst at BHF, a local bank. In fact, if Kirch wants to take on partners, go public or spin off parts of its company, there is no other way it can behave in the future, analysts point out. And it needs someone like Hahn at the helm.

About two years ago, early in his career at Kirch, Hahn, as general manager, developed the sports rights section of the company. Before that, he was general manager of Deutsches SportFernsehen, a German sports-channel venture run by Kirch and Berlusconi. Sources contend that the money-losing DSF has a long way to go before reaching profitability.

That said, even his critics admit Hahn is doing a good job in his current assignment at Kirch. Sources say that when Kirch rival Bertelsmann was looking for somebody appropriate for the CLT-Ufa chairman position recently, the post was proposed to Hahn, who decided to stay with his mentor. "This was very honest of him," notes one observer.

Hahn is now charged with helping the company decide on which new funding options to employ, since many believe that Kirch is in tremendous need of fresh money. That's because digital pay TV in Germany got off to a much slower start than many, especially Kirch, had expected.

Hahn's now working on a timetable to put a new structure in place by the New Year. Many observers doubt such a complex task can be accomplished in such a short period. "Wait and see," a source says. "Kirch knows how to surprise." ■

Mounter,

Continued from Page 5

heavyweight is likely to come in handy as Mounter oversees Seven's ATV, whose revenues have suffered from the recent Asian economic downturn, according to Kerry Stokes, Seven's executive chairman and 25 percent owner.

ATV isn't the only part of Seven that's been suffering. The September resignation of Mounter's predecessor, Gary Rice, followed a year of speculation about the broadcast network's increasing programming costs, stagnant ratings and failure to make headway against the Nine Network's No. 1 position.

Mounter already has a head-start on figuring out how to turn those situations around. Earlier this year, Stokes hired Mounter's Channel Islands-based consultancy, New Media Investments, to conduct a review of Seven's business. It was New Zealand journalist Paul Smith's glowing biography of Mounter and his six years at TVNZ that was reportedly the catalyst for Stokes' decision to bring Mounter on board.

Mounter's review of Seven is still a work in progress. Mounter says it will "continue for several months after I arrive." After that, he has promised to provide a "very clear vision" for Seven "that will take us forward for the next 10, 20 years."

Mounter says the review will "look at everything from the shape of the network, to the opportunities to be more cost-effective, to being better in our program performance."

Mounter was involved in reports of a slightly different ilk in his earlier years. British-born but also holding New Zealand citizenship, the 53-year-old Mounter is a former journalist. After work as a programmer, he moved into the executive ranks with Britain's Thames Television in the early '80s, and introduced the company to satellite broadcasting.

But he really made his mark at TVNZ from 1986 to 1992. At the time he arrived, TVNZ was a "decentralized, monopolistic inward-looking government-business enterprise," according to his former colleague at Star TV, Ross Plapp, who adds that Mounter "rationalized it and made it a business for the first time."

During Mounter's reign, TVNZ invested in New Zealand's second telco, Clear Communications Ltd. It also took a stake in the then-fledgling service, Sky Television, which at the time was a scrambled UHF pay TV service. It also acquired the New Zealand National Film Unit for film production. And TVNZ helped create an offshore satellite-delivered channel, Asia Business News (ABN), which has since merged into CNBC Asia.

Interestingly, since Mounter's departure in 1992, TVNZ has sold off all of these investments, with the exception of Clear Communications.

Despite his Asia-Pacific pedigree, Mounter is somewhat of an enigma to all but a few in the Australian television industry. But even before he lands in Seven's saddle, his impact has been felt over the last few weeks as he scouts around the network. Mounter is said to be keen to get the sports service happening. Its launch was postponed from October until sometime after he has a chance to study its strategy when he arrives next month. According to Optus sources, he's not putting any money into it until he can see it firsthand. That reportedly resulted in the resignation of the head of programming for the service, David Day.

To date, Mounter's made just two public outings on behalf of Seven, and one semi-private one. At Seven's annual general meeting, he suffered the ignominy of falling off the stage. Shutterbugs from Rupert Murdoch's national newspaper, *The Australian*, were on hand to photograph Stokes holding him up.

There's little doubt that Mounter will make every attempt to ensure that photograph doesn't prove a metaphor for things to come. ■

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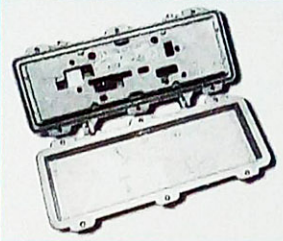

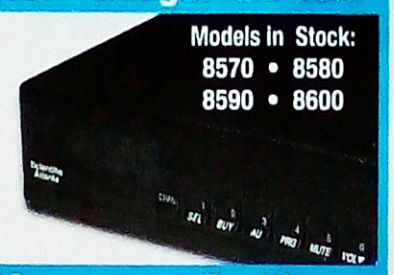

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Taking Stock

By Mike Galetto

BRAZILIAN TELEPHONY

Babys' First Steps

IN THE BAD OLD DAYS, when Brazilian telco Telecomunicações Brasileiras S.A. (Telebrás) was a state-owned giant, some of its employees had an interesting scheme to supplement their incomes. They created a "secondary market" for phone lines by selling them in, well, unofficial transactions to the highest bidder.

Fast forward to today and the investment options are more numerous — and much more legitimate.

Shares of the 12 "Baby Brases" that resulted from the July split-up and sale of Telebrás began trading on the São Paulo Stock Exchange (Bovespa) on Sept. 21, and their American Depository Receipts began begin trading on the New York Stock Exchange on Nov. 16.

For investors looking for a wider play, J.P. Morgan and the Bovespa created the Telebrás basket ADR that trades on the NYSE under RTB. It's the ADR for the Bovespa-traded basket stock that includes one share each of the 12 Baby Brases.

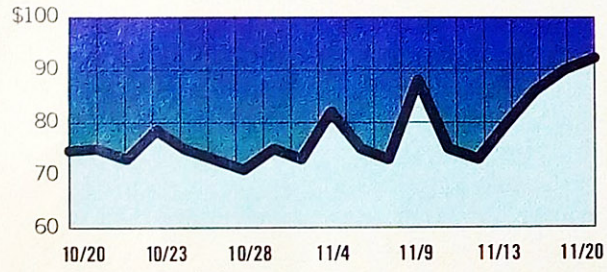
"Telebrás as we know it will cease to exist," says Roy Marmelo, a vice president at J.P Morgan in New York. "This is a basket for investors who want to hold one security instead of 12."

Marmelo also points out that investors can hold RTB while they evaluate which spin-off is right for the pure play.

Since it began trading on Oct. 13, RTB rose by about a third to $US92.25 by Nov. 20.

Analysts at Morgan Stanley Dean Witter, meanwhile, eye some pure play prospects. Their top picks include Telesp Participações S.A., São Paulo's local fixed-line provider controlled by Telefónica de Espana S.A.; Embratel, the MCI Worldcom Inc.-controlled national long-distance carrier; and Tele-Norte Leste S.A., the fixed-line telco for much of the northwestern coast, including metro Rio de Janerio, that's controlled by some big local investors.

RTB: Telebrás Basket ADR



Source: Nordby International

FINANCING

High-Yield Redemption

THE HOLIDAYS CAME EARLY for British cable operators NTL Inc. and Telewest Communications plc when in late October they placed issues in the then-bone-dry high-yield debt market.

Both were able to avoid the Grinch that Stole Corporate Financing and came back with more proceeds than originally planned.

"The high-yield market prior to NTL's first deal on Oct. 26 had been virtually closed for any issuer," says Aryeh Bourkoff, director of high-yield research at CIBC Oppenheimer in New York. "The quality of companies coming back to market began with companies that are well known with a demand for their paper."

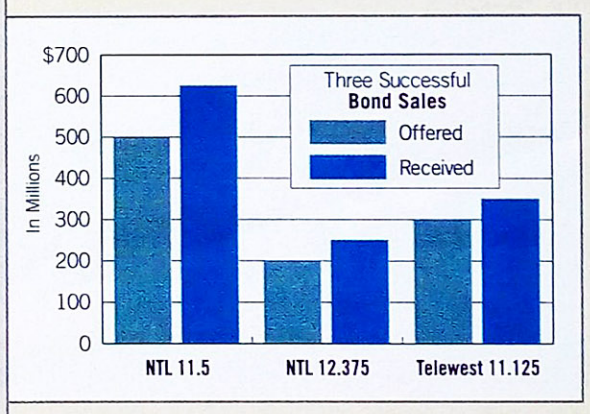
What's more, he describes the week as a "window of opportunity" for seasoned issuers, with $US1.2 billion of fresh money flowing into high-yield mutual funds, according to AMG Data Services.

That Monday, Oct. 26, NTL offered $US500 million of 10-year bonds; it was able to sell $US625 million worth of them paying an 11.5 percent interest rate. Later that week, on Oct. 30, the company returned to the market to offer another $US200 million of 10-year bonds; this time it came back with $US250 million at 12.375 percent.

Not to be outdone, Telewest on Oct. 28 said it planned to offer $US300 million of senior notes and reaped $US350 million at 11.125 percent.

NTL and Telewest "are well known and well regarded" by high-yield investors as two of the top three players in the consolidating British cable industry, says Bourkoff.

What's more, he points out, the companies were able to sell their issues via conference calls with investors. Normally, such hefty placements only come after two- and three-week roadshows.



THE PAY TV PAYOUT

Company	Ticker	Exchange	Close 10/16/98	Close 11/13/98	Percent Change	52-Week High	52-Week Low
AsiaSat	SAT	NYSE	$13.75	$14.75	7.27	$21.75	$9.75
At Entertainment	ATEN	Nasdaq	$4.88	$9.13	87.18	$19.37	$3.87
British Telecom	BTY	NYSE	$125.63	$134.88	7.36	$149.18	$76.81
BSkyB	BSY	NYSE	$45.50	$48.38	6.32	$54.50	$34.12
Cablevision Systems	CVC	AMEX	$39.25	$48.00	22.29	$49.50	$18.50
Cable & Wireless	CWZ	NYSE	$32.00	$40.81	27.54	$59.12	$20.37
Canal Plus	CNLP	Paris	$236.59	$252.48	6.72	NA	NA
Com 21	CMTO	Nasdaq	$13.94	$19.06	36.77	$25.00	$8.37
Comcast U.K.	CMCAF	NYSE	$16.00	$16.00	0.00	$18.68	$8.62
Deutsche Telekom	DTEG	Frankfurt	$32.53	$26.68	-17.99	NA	NA
Flextech	FLXT	London	$8.95	$9.14	2.13	NA	NA
General Instrument	GIC	NYSE	$24.56	$25.8	15.09	$29.50	$12.75
Globo Cabo	GLCBY	Nasdaq	$2.00	$2.38	18.75	NA	NA
Grupo Televisa	TV	NYSE	$25.75	$27.19	5.58	$43.25	$14.87

Company	Ticker	Exchange	Close 10/16/98	Close 11/13/98	Percent Change	52-Week High	52-Week Low
Hongkong Telecom	0008	Hong Kong	$2.13	$1.93	-9.63	NA	NA
Matav	MATVY	Nasdaq	$16.25	$20.00	23.08	NA	NA
News Corp.	NWS	NYSE	$23.88	$26.31	10.21	$33.50	$19.87
NTL	NTLI	NASDAQ	$44.63	$50.56	13.3 1	$65.00	$26.00
PanAmSat	SPOT	Nasdaq	$30.13	$36.00	19.50	$66.12	$26.50
Scientific-Atlanta Inc.	SFA	NYSE	$14.88	$17.25	15.97	$27.93	$11.75
Telebrás	TBR	NYSE	$72.75	$80.50	10.65	$135.00	$46.50
Telcom Italia	TI	NYSE	$70.69	$74.31	5.13	$90.87	$53.00
TCI	TCOMA	Nasdaq	$38.88	$39.19	0.80	$44.56	$22.00
TINTA	TINTA	Nasdaq	$20.63	$22.75	10.30	$25.68	$15.37
Telefónica	TEF	NYSE	$127.75	$131.19	2.69	$158.12	$75.00
Telewest	TWSTY	Nasdaq	$19.00	$21.75	14.47	$34.37	$11.50
TV Filme	PYTV	Nasdaq	$0.63	$1.00	60.00	$6.12	$0.50
UIH	UIHIA	Nasdaq	$10.88	$12.56	15.52	$19.43	$7.75

Source: Nordby International

FORUM

The Upside in Asia

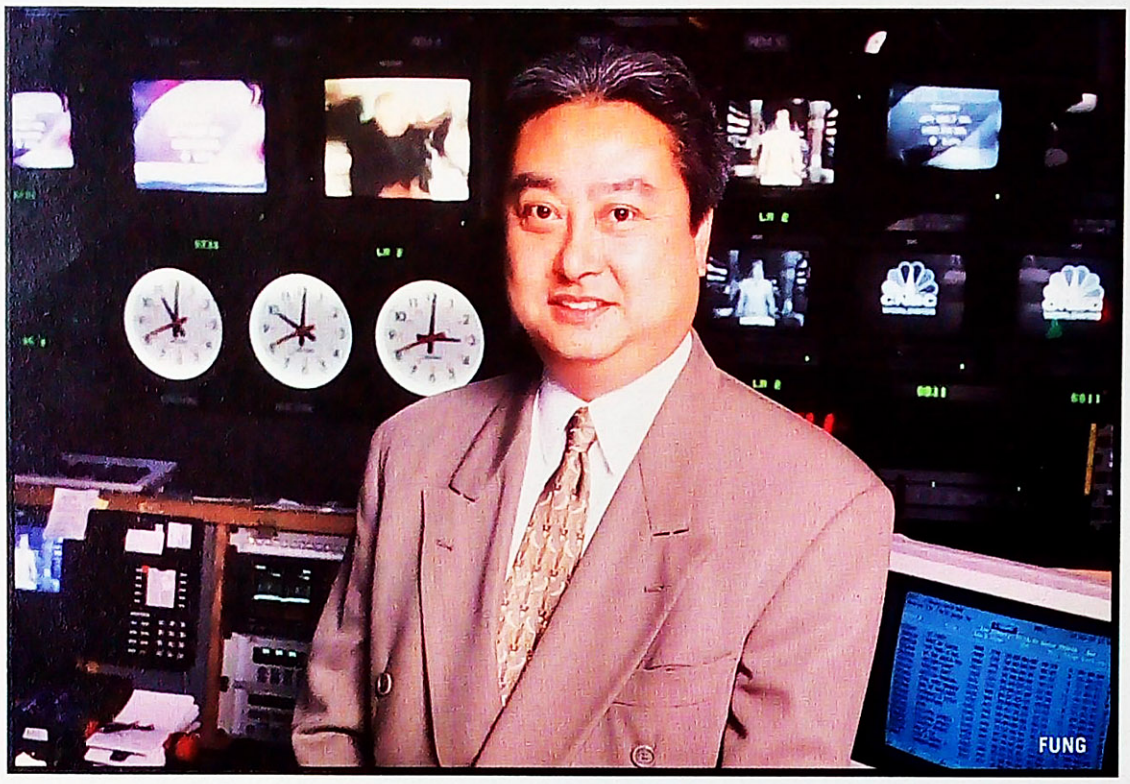
BY S.K. FUNG

Most television broadcasters in Asia had a tough year in 1998 due to poor economic conditions throughout the region. Suffering from squeezed profits or aggravated losses, many companies have retrenched, consolidated or gone out of business. While most believe the worst of the Asian economic crisis is over, the outlook for 1999 is far from bullish and certain. Despite the uncertainties, good opportunities exist for cable and satellite broadcasters to grow their revenues next year and beyond.

There are two main revenue streams for cable and satellite broadcasters: advertising and subscription. First, let us look at advertising revenue. For the industry, regional television advertising revenue (advertising on regional channels aimed at more than one market) is estimated at around US$300 million a year. This is just 1.5 percent of the $US20 billion in total television advertising revenue in Asia (excluding Japan), with the rest going to local terrestrial stations.

Although most regional channels have localized feeds for major markets, their share of local television advertising is tiny. Based on markets where viewership data is available, our industry's share of revenue is way below our share of the audience. For example, in Taiwan, cable and satellite channels capture 52 percent of viewers, but less than 30 percent of television advertising revenue (with most of it going to the TVBS channels). While no one expects cable and satellite's share of revenue to match its audience share, narrowing that gap (valued at more than US$300 million in Taiwan alone) must be one of our industry's highest priorities.

To do so, we must expand the regional television advertising pie as well as increase our share of local television advertising. Instead of just focusing on competing with each other on the basis of "relativity" — i.e., my channel vs. yours — we should devote part of our efforts toward cooperating to increase the industry's overall pie. I suggest two specific initiatives for collective support: one involves industrywide promotion and the other better audience-measurement data.



We should devote part of our efforts toward cooperating to increase the industry's overall [advertising revenue] pie.

First, here's my view on how we can better promote cable and satellite television as a new but cost-effective medium. Television in Asia has traditionally been limited to terrestrial television on a country-by-country basis. We need to promote the concept of regional advertising and the concept of niche advertising on television as opposed to mass advertising.

It would be useful to have a series of seminars around the region aimed at the advertising community, jointly hosted and presented by channels in a given genre with a specific target audience. For example, MTV and Channel V can present for the youth niche, CNN and CNBC for the business decision-maker niche, ESPN and Star Sports for the male, sports-loving niche and so on. This will also help build the industry's credibility, which has been hurt in the past by too much intra-industry bickering and competitive claims.

Credibility will also come from developing better television audience-measurement systems in all key markets. Our market has been handicapped by the lack of reliable, regular and commonly accepted regional data to convince agencies and advertisers. In markets such as Taiwan, Hong Kong and India, peoplemeter systems exist, but they either measure terrestrial viewing only, or the samples do not have enough cable and satellite homes. Our industry must redress this to give advertisers the same, common currency as they have for terrestrial stations.

In Hong Kong, a users' group comprised of terrestrial stations, cable and satellite operators, regional channels and advertising agencies, has been working to expand the present peoplemeter sample to include more cable and satellite homes and to make the data available beyond the two terrestrial broadcasters.

Asia's BRUISING YEAR

A Special Report

Industry support is needed to make this happen in Hong Kong and other major markets.

Let us now turn to subscription revenue for the industry. Three major obstacles have hindered the growth of such revenue: restricted market access, lack of decoders and copyright infringement. Many markets have policies and regulations that restrict the entry of foreign channels.

Only a few markets in Asia, among them Singapore, Hong Kong and Japan, offer decoders to pay TV consumers. More than 90 percent of the estimated 90 million cable and satellite homes in Asia do not have decoders. Copyright infringement is commonplace in many markets, including the pirating of program software, retransmission of signals without payment of license fees and underreporting of subscribers by cable operators.

While the industry should lobby for open-market access and adoption of decoders, these efforts will probably take time to bear fruit.

In the area of copyright protection, near-term action that we can initiate could produce practical results. As a possible start, among many options, a subscriber audit of cable operators in the Philippines may be undertaken by an umbrella group consisting of major regional channels and the Philippines Cable Television Association.

The Philippines should be a good place to start, not necessarily because copyright infringement is worse there, but because most of the regional channels are distributed there and know that most of the cable operators declare only a small fraction of their subscribers for license-fee purposes.

More importantly, there is support from the cable association and major cable operators in the Philippines for such an audit because the dishonest operators are hurting the more honest ones. This action will probably be needed over time and in other markets. But, as the Chinese saying goes, "A journey of a thousand miles begins with the first step."

Asia has many big markets, and the cable- and satellite-television industry is still young. Despite a temporary slowdown, medium- to long-term growth prospects are tremendous, and I believe some of these suggestions will even produce short-term results.

S.K. Fung is the chairman of the Cable and Satellite Broadcasting Association of Asia (CASBAA) and president of NBC Asia.

ONE ON ONE

BET's Better Beat

William Mahoney Speaks With George Amoah

BET International's return to the British cable market last month with a carriage deal for BET on Jazz International marks a triumph for the black-entertainment company and the latest in a series of carriage coups.

BET's earlier distribution in Britain was through a programming-supply relationship with the United Kingdom's homegrown Identity Television, which, in mid-1993, was renamed BET International. However, when BET later tried to swap out BET International carriage for its wholly owned BET on Jazz in 1996, the tactic failed, and the channel shut down soon after.

But on Nov. 17, BET on Jazz International launched with NTL CableTel in a rare, new analog-carriage deal that brought BET on Jazz to 300,000 of NTL's 400,000 subscribers. BET has also struck new carriage deals in France and Germany.

On Nov. 2, BET on Jazz International launched in France on the satellite service Television Par Satellite, and French cable carriage will follow as part of that deal. Earlier, BET launched on a limited basis on Deutsche Telekom A.G.'s systems in Germany.

All in all, BET's tune has suddenly become much more upbeat in Europe, in contrast to the global retrenchment of some of its fellow U.S. players this year. Shepherding BET's expansion from less-than-glamorous Hounslow, West London, is George Amoah, managing director of BET International.

Mahoney: You've been busy over the last few months. What other deals are coming?

Amoah: We have a pending deal with the UPC [United Pan-Europe Communications] pan-European digital platform that they are about to start in January.

Mahoney: And you launched in Poland earlier in the year.

Amoah: Yes, with At Entertainment on their DTH [direct-to-home] platform and cable systems.

Mahoney: Why the sudden burst of expansion activity?

Amoah: Opening the office here last year helped a lot. For the first time, we started focusing our energy, and I think a lot of the operators and businesses started looking at BET as a serious player, not as coming in from the U.S., and flying in, flying out. We made a presence, opened an office and invested. They see us now as an operating company, not a visitor.

Mahoney: How do you reflect back on the situation as it unfolded for you in the U.K., when you tried to do the channel switchout? Would you have done a few things differently, if you had it to do over again?

Amoah: In hindsight, we could have done a few things differently. Don't forget, when we rolled out this new product [BET on Jazz], everybody just closed their eyes and said, "Look, this is a new product, and we have to evaluate the product. It's new. Let's see how it works."

We could have done things differently in the way that we [negotiated with cable operator] Telewest [Communications plc] and all the other guys in the U.K.

Mahoney: What were the other factors that caused the switchout to fail?

Amoah: Keep in mind [that] we were never really present here in the U.K. BET never operated in the U.K. until March 1997. We were providing product to a third party, [channel partner Identity Television], and that channel later became BET. They showcased our product, just like they showcased other product that they bought from other companies and other entities.

So, in a way, it hurt us because, image-wise, we were in there as BET. You know our company in the States. We want to make sure that everything is done properly, and we didn't have any real control over how things were done here.

We've moved beyond that now, and I'm very happy about that.

Mahoney: What is the road ahead? Will you be launching any of the other BET services, or is BET on Jazz International your main emphasis at this point?

Amoah: That's a good question. [BET on Jazz International] is actually a hybrid product. It's not pure jazz. What we have is a combination of BET and [BET on] Jazz.

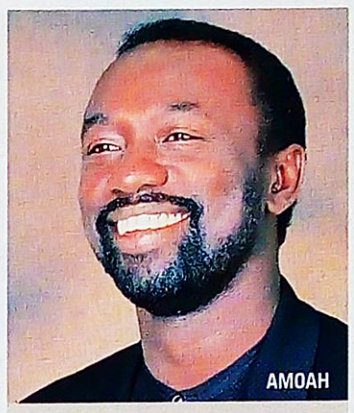
We have tremendous capacity on the [Loral] Orion [satellite covering Europe], and we have more room for products and services. Who's to say? With all of the channels we have in the U.S. now, anything could happen.

Mahoney: Taking a quick spin around the globe, I know that you also have carriage in Japan. What are your other goals in that region or others?

Amoah: We're on both SkyPerfecTV and DirecTv Japan. That's good news there.

In the coming year, we'll see a lot of emphasis on trying to get into Australia and Latin America. Those are our final barriers in this business. We also really need to penetrate more into the Asian market, as far as our plans are concerned for next year.

We're looking at the Eastern European market as well. We've received tremendous requests for the product in Romania, the Czech Republic and Russia, but we are studying all of these markets very closely, and making sure that we can do good deals.

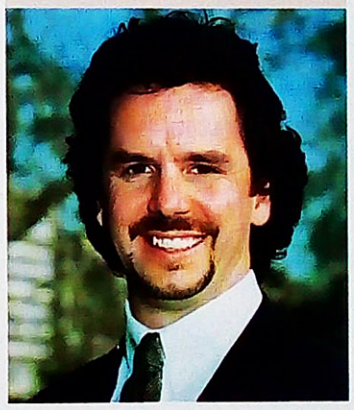

AMOAH

GEORGE AMOAH

TITLE:
Managing director of BET International.

BACKGROUND:
Opened a U.K. base for BET International 18 months ago, after running BET's international expansion activities from its headquarters in Washington, D.C. Joined BET in 1993 as vice president. Before that, worked as a consultant from 1991 to 1993 for Turner International, specializing in the African market.

STSATISTICS:
39 years old; married with two children; lives in Sunningdale, England.



We also have a pending deal for C-band pan-African distribution, which is going to start in February. That will be with Multichoice. Beyond the Ku-band distribution that they have now, we will be looking at gaining access into basically all of the sub-Saharan countries with the product.

That's an exciting thing for us because, with BET, we have that connection to Africa, and we want to make sure that we get there. The revenues in Africa are not that great, but the presence is what we are looking for on that score.

Mahoney: You've had a nice foothold in South Africa through your deal with Multichoice.

Amoah: Yes. That was one of the deals that we did in the early days, and we're very excited about that. We're in there for the long-haul approach.

All our deals are long-haul approaches. All the BET International operations are wholly owned by our parent company, [BET Holdings Inc.], and well funded as well. It puts us into a position where we can methodically grow the business, and not get ourselves rushed into deals here and there that do not make sense.

Mahoney: Now that you've made your return to the U.K. market in 300,000 NTL homes, where do you hope to go from there?

Amoah: I think our goal here is to get on to all the three major [multiple system operators].

Mahoney: What did you make of some of the retreats of other major, U.S.-backed channels that had first landed on U.K. shores around the same time BET first did?

Amoah: One of the things we've tried to do very well at BET is not try to be like the Joneses. We've always operated very lean, and kept our costs in very realistic zones for long-term survival. I think, if you visit our office here, you would find out that's how we operate.

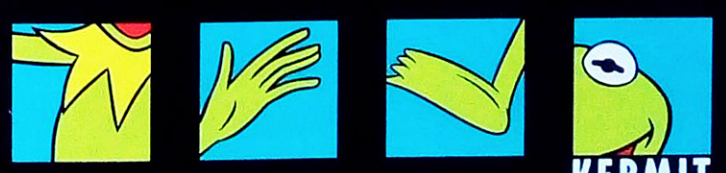
Mahoney: Where do you stand today in terms of total subscribers for the BET International operations?

Amoah: We're at 2.7 million in the international market. That's a pretty healthy number for us.

Mahoney: Where will that number be in a year?

Amoah: I want to be at 4 million. It's an aggressive goal. ■

BIG ENOUGH FOR THE WHOLE FAMILY



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